BATHURST
RESOURCES LIMITED

2018 Annual Report

Contents

Strong safety record with LTIFR at 1.2

Coal production under management up from 0.4Mt to >2Mt

Contributed

$161.1m

to the New Zealand economy

Invested

$52.7m

in CAPEX

Successful acquisition of **three new operating mines**

New offshore joint venture secured

Financial figures noted are Bathurst and 65 percent equity share of BT Mining.

01 Year in review

In this section

Chairman's and CEO's report

We are delighted to share with you the 2018 Annual Report for Bathurst. This year has marked a significant shift in the size and scope of Bathurst's operations, with exciting opportunities just around the corner.

Delivering on our promises

FY 2018 saw the successful acquisition of the previous Solid Energy mine sites at Rotowaro, Maramarua and Stockton via Bathurst's joint venture BT Mining, making Bathurst New Zealand's largest coal producer. We were focused on two key tasks throughout this period: sustaining Bathurst's original South Island domestic mining operations ("SID"), and the safe and smooth transition of the acquired mines and their staff into Bathurst's systems and processes.

We are very pleased with the results from Bathurst's existing SID operations, noting an increase in coal sales revenue which flowed through to an increase in the SID segment's EBITDA.

BT Mining has exceeded expectations in its first ten months of operations, profiting from a focused transition programme, strong export coal price, and rationalisation of corporate overhead spend. Initial debt of $29.8 million was repaid, as well as a first distribution to its shareholders. We set up a new regional office in Christchurch to ensure the seamless supply of essential corporate services, and we were able to retain almost all regional mining operations staff.

Extensive risk management assessments were also performed, alongside a focus on site training and worker engagement practices.

Overall our equity share of **EBITDA** guidance across all operations was **upgraded from $61.0 million** in Q1 to $91.0 million in Q3, finishing the year at a **record $93.7 million**.

What our business looks like now

The face of our business has changed dramatically in the last 12 months, moving from a sole domestic focus to include an export segment, and **more than quadrupling the number of employees and coal production that we manage**.

Our export business now contributes over half of total revenue. We support over 400 jobs across New Zealand, with the majority in regional areas. Our expansion via BT Mining has meant that not only do we benefit our shareholders, but also the New Zealand economy as a whole.

Record financial results

Underlying profit (adjusted for several one-off items) increased from $1.1 million to $43.4 million, highlighting the significant contribution that BT Mining has made to our business.

While overall net profit after tax was negatively impacted by $32.1 million of one-off, non-cash fair value accounting adjustments on our convertible debt instruments, we still recorded **Bathurst's highest net profit after tax since incorporation**. The confidence of our shareholders in the management team which enabled the investment in BT Mining, was earned through a consistent, cost-effective and efficiency driven management philosophy and pro-active key stakeholder management.

We were very pleased to release details of an approved on-market share buyback scheme off the back of the release of the annual results. Directors consider the buyback offer is accretive in the overall value of the Company's shares, and represents the first of new capital management initiatives after a successful year.

Any dividends have been postponed until after the decision from the Court of Appeal is received regarding the litigation brought against Bathurst by L&M Coal Holdings Limited ("LMCH"). This is expected to be mid-2019.

Strategy

During the year we refreshed our strategy, with our vision to be the leading domestic and export coal producer in New Zealand, with a globally diversified coking coal portfolio. We work towards our goal with a multi-faceted approach, focusing on four key areas: operations, people and community, safety, and customers/markets. This recognises the integral part that each of these plays in the long-term success of our business.

We have also taken the first steps this year to provide key metrics on sustainability in our business, via a sustainability supplement detailed in the Our commitment section. This supplement provides a focus on our performance in the areas most important to us. Next year we aim to provide further detail through a sustainability report.

With Bathurst now firmly cemented as New Zealand's leading coal producer, opportunities were sought to develop investment offshore. This recognises that potential for future growth in the New Zealand market is only incremental through brownfield expansions, due to both natural market limitations and the uncertain long-term regulatory environment.

After intensive due diligence, we were delighted to announce the successful close of a **new joint venture** with Jameson Resources Limited ("Jameson"). The initial investment of CAD $4.0 million gave Bathurst an initial eight percent stake in NWP Coal Canada Limited ("NWP") (a previously wholly owned subsidiary of Jameson), and investment in NWP's Crown Mountain Coking Coal Project.

The project consists of coal licences and applications in south eastern British Columbia, Canada. The project is in the exploration stages of pre-feasibility and will provide Bathurst with a diversity of production into the export market that will complement in-house technical and marketing capabilities and the range of products already sold into Asia.

Upcoming challenges

While our overall operations have generally performed above expectations and ahead of early forecasts, we recognise the need to maintain focus on the upcoming Court of Appeal process regarding the LMCH litigation. Although the decision by the High Court was unfavourable, based on our legal team's advice the Board remains confident in its view that it will be successful on appeal.

Looking forward

Looking ahead to the coming financial year, a key focus across all operations is cost control and maintaining margins. This will be achieved through several initiatives including equipment replacement, mine plan re-designs and process efficiencies.

We also know how important managing risk is to achieving success in our industry. Continuing our ongoing risk management programme will be critical to ensure we achieve safety for our employees, and the desired long-term environmental and financial outcomes.

With a strong new business base laid this year, we look forward to the continued success of our mines and our people.

Toko Kapea
Chairman

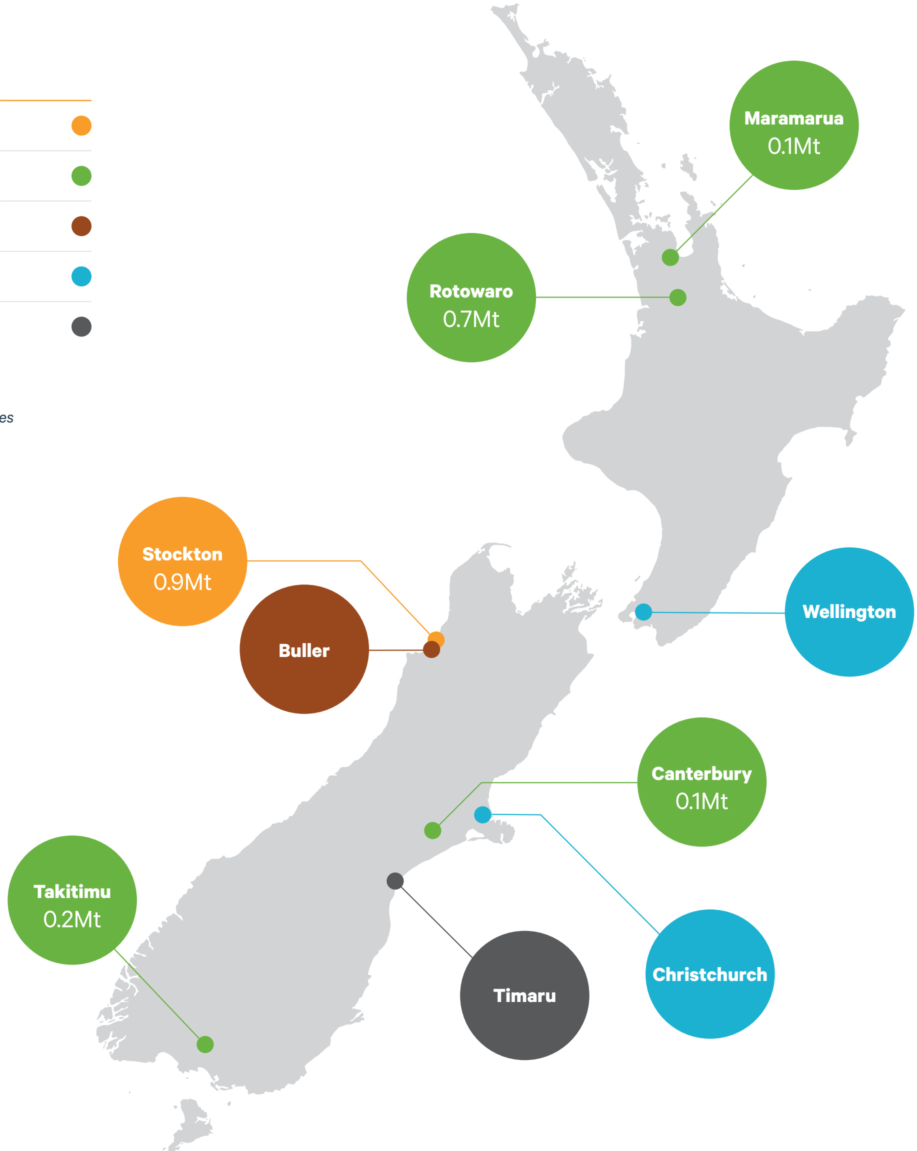
Richard Tacon
Chief Executive Officer

Operating and financial review

Bathurst at a glance

Key	
Export	● (orange)
Domestic	● (green)
Care + maintenance	● (brown)
Office	● (blue)
Distribution facility	● (grey)

Tonnes noted are FY18 production tonnes



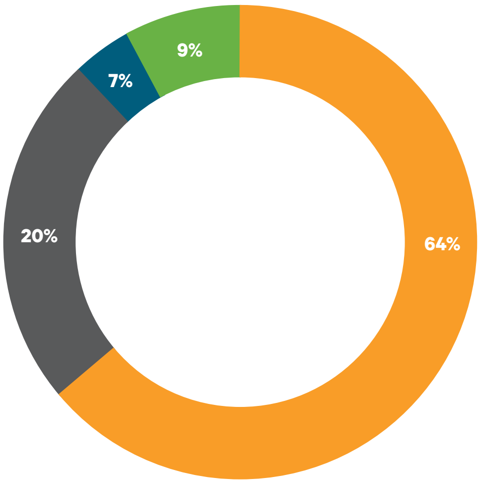
We are now New Zealand's largest coal producer

Bathurst has grown from a 0.4 million tonnes ("Mt") a year producer of coal, to be the largest coal company in New Zealand managing over 2Mt via its recent acquisition of the Stockton, Rotowaro and Maramarua mines.

Sales profile

With the addition of the three new mines, the sales mix and profile of our business have changed substantially from a year ago.

Sales revenue by product use*



64% *Steelmaking (Export)*

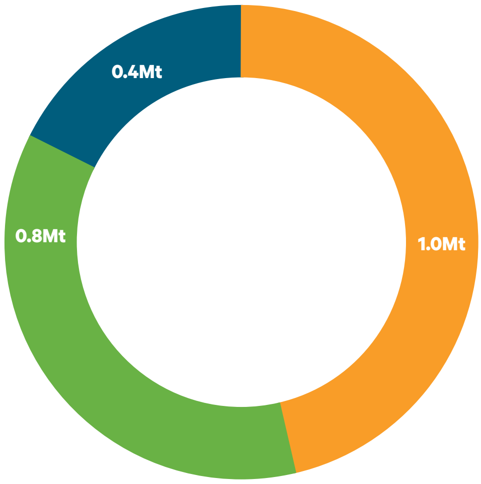
20% *Food production and other industry (NZ)*

9% *Steelmaking (NZ)*

7% *Electricity (NZ)*

Sales revenue mix has moved from 100 percent domestic food production and other industry, to include electricity and steelmaking in both the domestic and export markets.

Sales by region (Mtpa)*



1.0Mt
Export - Stockton

0.8Mt
North Island Domestic

0.4Mt
South Island Domestic

82 percent of Bathurst's sales now come from its recently acquired mines.

**Figures are Bathurst and BT Mining at 100% for FY18*

Operating highlights

Export (Stockton – 65 percent equity share)

Stockton is an open cut mine on the West Coast of the South Island, producing a low ash metallurgical coal for export primarily to Japan, Korea and India.

Stockton sold 0.97Mt of coal during FY18 and shifted 2.9Mbcm of overburden. EBITDA contribution for ten months of operations was $105.9 million (at 100% basis). Production levels are budgeted to increase to 1.1Mt in FY19.

The mine plan was re-worked to achieve a steady production rate over the next four years, which required the addition of a fourth overburden stripping crew. An equipment replacement strategy of rationalising the mobile plant fleet, lowering site operating costs and ensuring fit-for-purpose equipment was implemented. We are in the process of eliminating high cost machinery from the site.

The export market was relatively stable, with coal prices remaining strong. We have prepared for any price fluctuations through a continued focus on maintaining cash costs under NZD$100/tonne FOB, and diversification in customers and markets. Mine and market planning are managed to match the market with resources to ensure a reliable supply delivering on-specification coal to our customers.

North Island Domestic (65 percent equity share)

Rotowaro and Maramarua open cut mines are located in the Waikato region of the North Island. Both mines have long-term contracts to primarily supply the domestic steel and electricity industries, with the remainder supplied to local food production and other industries.

EBITDA for ten months of operations from this segment was $34.2 million (at 100 percent basis). FY19 operations will look consistent with FY18.

Rotowaro

Rotowaro produced 86 percent of the North Island output for the ten months of FY18. Run of mine coal production exceeded budget to meet additional sales diverted from Maramarua. Overburden was slightly behind budget due to low manning levels and mechanical breakdowns. Improved detailed mine planning has allowed for planned waste stripping in the relatively small east extension area of the Awaroa 4 pit.

Coal production in the main pit is due to be completed in the early part of FY19, with planning well advanced in support of the Waipuna West extension. Market dependent, waste stripping is scheduled to commence in the second quarter of FY19.

Maramarua

Coal production at Maramarua was impacted during the year by a known fault lying at a flatter angle than modelled. This combined with inclement weather meant the mine was unable to continuously supply coal, with sales being diverted to Rotowaro from early December.

We added a third mining crew in January to accelerate waste stripping into the next block of coal. This meant coal production could resume in February, with a steady state of operations achieved by Q4 of FY18.

Our focus for FY19 is to develop stage one of the next pit to replace production from the current pit. The timely development and exposure of first coal in this new pit is crucial to Maramarua's mine plan.

South Island Domestic (100 percent equity share)

The Canterbury and Takitimu mines represent the existing Bathurst business, prior to acquisition of the Stockton and North Island mines. Both mines produce energy coal which is low in sulphur and ash and high in demand by the local food processing industries that they supply.

These mines continue to generate positive cash flows, with FY18 showing a five percent growth in EBITDA to $16.7 million. This came off the back of new sales contracts won in FY17.

Looking ahead to FY19, coal production and waste stripping for both mines are consistent with FY18. The strip ratio will remain higher than the average life of mine as we continue to expand the footprint at both sites.

Canterbury

The Canterbury mine is an open cast mine near Coalgate, 70 kilometres west of Christchurch.

This year the mine increased coal production significantly to meet increased sales. This involved the establishment and substantial completion of an engineered landform ("ELF") to the north of operations to enable a matching increase in waste stripping. The operation is now backfilling in the resultant void and the ELF will commence rehabilitation in the coming year.

We also invested significant resources in water quality management measures at the mine. The site is seeing these positive effects with work largely complete and full compliance since February 2018.

Further upgrades to the mining fleet were made in FY18 to increase efficiencies and move away from high rental costs, notably with the purchase of two dozers, one loader and two dump trucks.

Takitimu

The Takitimu mine is located at Nightcaps, north of Invercargill in Southland.

FY18 operations saw a modest three percent uplift in run of mine coal production, and a 26 percent uplift in overburden as work on the Black Diamond pit came on line. One of the key achievements during the year was the excavation of the historic open cast, Black Diamond East open cast, which exposed intact and clean coal below the old pit.

With the move into the historically underground worked Black Diamond area there has been a focus to establish safe operating practices on working around voids. This included the establishment and training of an onsite Emergency Rescue Team, purchase and training of rescue equipment and holding training exercises.

Takitimu also saw investment in its mining fleet during the year to realise significant reduction in high rental costs, with the purchase of an excavator and four dump trucks.

Buller (100 percent equity share)

The Buller project represents several mine permits on the Denniston Plateau on the west coast of the South Island that are in close proximity to the Stockton mine operations. These include the Escarpment and Cascade mines for which mining permits are held, but which are currently on care and maintenance.

The Buller coalfield is regarded as one of New Zealand's most significant fields and is well known for its high quality, low ash and high fluidity coking coals, which are highly sought after by international steelmakers. We hold mine permits for more than 15,000 hectares.

The combination of BT Mining's infrastructure assets at Stockton with our existing Denniston Plateau assets will unlock material synergies for our business. The purchase of the Sullivan coal mining licence (and some associated land) which is located between the Coalbrookdale and Whareatea West permits was a further step taken during the year to enhance the Denniston integrated mine plan. There is spend budgeted in FY19 for a feasibility study project.

We drilled several holes in Escarpment during the year to better understand the coal quality, which forms part of a wider Denniston Plateau integration project.

Exploration and permits

Exploration during the year was focused on meeting short-term operational planning and permit requirements, with a focus on:

- Completion of an updated exploration plan for the Denniston Plateau which incorporates both Bathurst and BT Mining permits, with access arrangements and resource consents lodged for drilling programmes.
- Preliminary geological model and optimisations for Albury exploration permit (Canterbury).
- Pre-feasibility study at New Brighton (Takitimu).
- Coal quality management at Canterbury and Takitimu.
- Update of grade estimation and new modelling for Takitimu.

A summer exploration programme also kicked off in April 2018 on NWP's Crown Mountain Coking Coal Project, in which Bathurst has an eight percent stake. The programme will run through to October 2018 and includes:

- Finalisation of notice work application.
- Finalisation of exploration budgets and project plan.
- Geotechnical drilling for the purposes of pit design.
- Geochemical and soil sampling programme.
- Geological infill drilling for structural and coal quality.

Financial results

We are pleased to report Bathurst's strongest financial results since the business was incorporated in 2007.

The impact of the acquisition of the new mine sites via BT Mining cannot be overstated, with these new business streams contributing 95 percent of Bathurst's $45.0 million operating profit for the year, and 85 percent of consolidated* EBITDA** from operating segments of $106.8 million (excluding corporate).

It is worth noting that Bathurst's existing SID business also performed well, recording a 15 percent increase in revenue after a drop in FY17 from the decision to place the Cascade and Escarpment mines into care and maintenance in FY16.

While our consolidated cash balance decreased $4.0 million, $52.7 million was spent on the acquisition of assets (property, plant and equipment, mining properties and licences), $11.6 million of taxation was remitted, and BT Mining repaid all its shareholder loans and external debt.

** Bathurst at 100 percent and BT Mining at 65 percent equity share*

*** Earnings before net finance costs (including interest), tax, depreciation, amortisation, impairment, fair value movement on deferred consideration, and fair value movement on derivatives and borrowings*

Underlying profit reconciled to consolidated EBITDA

	2018 $000	2017 $000
Underlying profit after tax	**43,418**	**1,132**
Add back		
Transaction costs on JV acquisitions & legal fees on LMCH related court proceedings	(2,353)	(1,304)
Finance costs on debt instruments	(3,396)	(2,965)
Fair value movement on derivatives	(27,687)	(12,530)
Fair value movement on borrowings	(4,434)	-
Statutory profit/(loss) after tax	**5,548**	**(15,667)**
Add back		
BT Mining (profit)/loss share	(42,961)	775
Depreciation and amortisation	4,885	10,632
Impairment	1,630	-
Net finance costs	7,338	3,449
Fair value movement on derivatives	27,687	12,530
Fair value movement on borrowings	4,434	-
Fair value movement on deferred consideration	(102)	(1,749)
EBITDA	**8,459**	**9,970**
Plus: 65% share of BT Mining EBITDA	85,274	-
Consolidated EBITDA	**93,733**	**9,970**

Our commitment

Sustainability context

Our ethos

Sustainable development and responsible resource use are fundamental to all that we do, spanning across all phases of our business from exploration to mine closure. This means that every day we are guided by a commitment to provide positive outcomes for our employees, shareholders, local communities, and importantly the environment.

We recognise that resource extraction can be a complicated and controversial business, and we know that our work will have an impact on the environment. But it's how we respond that matters - it's our job to operate in the safest and most respectful way possible.

> **We're committed to sustainable development where economic growth is coupled with respect for conservation and community values**

The wider picture

As society moves towards meeting the goals of the Paris Agreement, it is vitally important that we align environmental objectives with the universal goals of access to energy, security of energy supply, and social and economic development.

Coking coal is an internationally strategic mineral, as there is currently no viable alternative for coking coal in the production of steel. Steel delivers the goods and services that our societies need – healthcare, telecommunications, improved agricultural practices, better transport networks, clean water, and access to reliable and affordable energy including renewable energy infrastructure. Our Stockton and Denniston coking coal resources are well known for their excellent quality. With low ash and high fluidity, these coals are highly sought after by international steelmakers.

Our high quality, thermal-grade coal is used to help drive the engines of many iconic New Zealand food businesses. We acknowledge that coal is a transitional energy fuel, and we are committed to being part of the conversation regarding the reduction of energy coal use. While we understand a move away from energy coal is part of the future, we wish to see a just transition to allow a suitable timeframe for customers to transfer to other viable energy sources. This recognises that businesses need reliable and affordable energy in order to continue to positively contribute to their employees, their communities and the wider New Zealand economy.

And while these conversations are ongoing, we understand and accept the challenge of responsible mineral extraction and reliable supply required. We will continue to manage our extraction of this finite resource in a safe and sustainable manner, taking actions to reduce our operational emissions and minimise our environmental footprint.

Purpose of this supplement

This sustainability supplement is to provide introductory information on our sustainability performance as part of our annual report. The supplement includes information on all Bathurst owned and operated sites including the three operating mines acquired via BT Mining (Stockton, Rotowaro and Maramarua). The process of integrating performance systems and standardising data is ongoing post acquisition and will underpin future sustainability reporting.

In producing this content, the Global Reporting Initiative ("GRI") has been used as a guiding framework; however, we make no claim that this supplement has been prepared in accordance with the GRI. Note that the content and numbers represented in this supplement have not been externally audited.

How we determined our material topics to be covered

The content of this sustainability supplement is informed by the materiality assessment process carried out by Bathurst.

For this year's report, the process has had an internal focus to consolidate and build on the knowledge of our increased staff perspectives as a result of the joint venture acquisitions. The process involved an analysis of materiality assessment approaches in the mining sector, from a company, industry and investor perspective. This analysis was used as a basis for internal discussions with our managers responsible for stakeholder engagement, to determine our most important economic, social and environmental impacts and contributions our business has.

Site risk registers and public commentary on Bathurst over the past 12 months were also considered in our selection of the material issues. For next year's reporting, our Company is committed to expanding this process of engagement to better identify and prioritise sustainability issues to include what matters most to our external stakeholders.

Through this we identified a range of material issues which were grouped based on importance to Bathurst and the perceived interest to stakeholders. The topics of interest to both our Company and its stakeholders are considered significant material issues that our Company intends to address in our business strategy and sustainability performance and reporting. Where possible, general disclosures and management approaches to material topics are informed by GRI guidance and information is provided for one or more disclosures for most material topics.

Material topics

SOCIO-ECONOMIC
Stakeholder engagement

Engagement with stakeholders is critical for the continued success of our Company and licence to operate now and into the future.

SOCIO-ECONOMIC
Economic performance and responsibility

Our focus is to responsibly manage the key processes within our control – financial oversight, productivity improvements and cash costs of production.

HEALTH AND SAFETY
Health and safety

Our operations are focused on our people, their safety and wellbeing while mitigating operational risks and maintaining productivity.

ENVIRONMENT
Water management

We aim to manage our water inputs, use and outputs to inform our management of water related risks, seeking to minimise the impact to other water users and the environment.

ENVIRONMENT
Land use and biodiversity

We strive to avoid and minimise any significant impacts our operations may have on sensitive species, habitats and ecosystems. We integrate biodiversity into our business decision-making and management activities.

ENVIRONMENT
Energy and emissions

We continue to find new ways to use energy more efficiently in our operations. As our assets have grown in size, complexity and diversity, we recognise that energy efficiency could be measured better and ultimately improved.

ENVIRONMENT
Overburden management

Managing overburden materials to create stable landforms for rehabilitation is a key focus when developing our mine plans. This includes focus on implementing controls such as characterising mineral wastes and managing site storage to limit environmental effects and minimise closure costs.

GOVERNANCE
Compliance

Compliance in the mining sector represents a significant risk to our business. We are continually focused on achieving positive and compliant performance outcomes.

GOVERNANCE
Mine closure plans

We aim to manage closure focusing on supporting the economic and social transition after mining ends, establishing a self-sustaining ecosystem and opportunities for a range of potential post-mining land uses.

GOVERNANCE
Emergency preparedness

We maintain emergency management plans to identify the potential for emergency situations and to test our capability to respond.

FY19 sustainability objectives

The objective in FY19 is to establish the site and corporate reporting tools to ensure that the relevant information is collected to enable GRI compliant reporting on the material topics noted previously and general disclosures in the next annual report. In addition, we have set the following sustainability objectives for FY19:

Health

Implement a revised health assessment and monitoring programme for a healthy workforce

Safety

Increase the use of risk management tools across the business

HSEC management system

Implement a pro-active culture of reporting on HSEC issues by defining field leadership key indicators

Water management

Produce updated active water balance models for all sites

Mine closure

Produce up to date mine closure plans for all sites

Environmental incidents

No uncontrolled spills or discharge to the offsite environment

Biodiversity

Prepare biodiversity action plans for all sites

Community

Update stakeholder engagement plans

Summary of FY18 performance on sustainability

Stakeholder engagement

Bathurst has a stakeholder engagement framework that defines stakeholder groups and methods of engagement. Some stakeholder groups are statutory and some are identified at a corporate level, while others are identified by our individual operations. Our primary stakeholder groups are shown below with an outline of the key engagement aspects for each group.

Whereas Bathurst is engaging with stakeholders on a regular basis to understand their needs and perspectives, the development of this sustainability report supplement has not involved external stakeholder consultations. We aim to conduct specific stakeholder engagement in the development of next year's sustainability report.

Our stakeholders

Our workforce

Our employees and contractors, many of whom live in neighbouring towns to our operations

Local communities

Our operations and our people are part of local communities; we take our role as responsible community members seriously

Industry associations

We are represented on a number of industry associations

Unions

We engage with union representatives representing workers' interests

Government

To ensure we understand and meet government expectations, we regularly consult with a wide range of central and local government authorities

Non-governmental organisations

We believe through NGO engagement we can achieve common goals and improve the quality of life in the communities where we work

Investors

Delivery of cash flows to maintain a strong balance sheet managed by strong governance

Iwi

We engage with iwi to understand their interests in the cultural and environmental effects of our business

Customers

We work with our domestic and export customers to provide a safe, reliable and consistent supply that meets their product needs

Suppliers

We source a range of goods and services to sustain our operations

91%

of our **employees live locally** to mining operations

$40.5m

paid on **employee benefits**

$39.4m

paid in **taxes and royalty payments** to government

$221.6m

contributed to the **NZ economy**

Financial figures noted above are Bathurst and 100 percent of BT Mining

Economic performance and responsibility

Bathurst's operations contribute to the economic development and wealth of host communities through a number of channels, including wages and salaries paid to employees and contractors, taxes, royalties and fees to governments, local procurement of goods and services and support of community programmes.

Community investment

Our relationship with the communities where we operate is important to the future success of its operations. We are committed to operating in a socially responsible manner.

Over the past year, we have contributed $37,948 to the following organisations: Life Education Trust West Coast, Cape Fear Youth Adventure Race, Hororata Night Glow Festival, Buller High School University Scholarships, Ohai Nightcaps Rugby Club, Mount Linton Muster, Sky Tower Challenge, Nightcap Bowls Club, West Coast Scooter Derby, Ohai-Nightcaps Lions Club, Nightcaps Squash Club, Ohai Nightcaps Fire Brigade, Buller Gorge Country Music Festival, Buller Bay Fishing Competition, Tasman Surf Team, Haroko School Hockey, The Going Bananas Show West Coast, and New Zealand Mines Rescue Trust. We also provided in kind seedlings to the Carters Beach Domain Board for beach stabilisation works.

In FY19 we plan to complete a review of our sponsorship programme to focus our sponsorship on enduring community projects.

We also contribute to the professional development of mining professionals through key conference sponsorships through the New Zealand Minerals Forum and the New Zealand Branch of Australasian Institute of Mining and Metallurgy.

Rehabilitation funds

We are committed to environmental protection and ensuring responsible mine closures. As at 30 June 2018, we had access to over $66 million in a number of rehabilitation funds that will be used to fund mine closure rehabilitation at our mine sites.

Closing a mine can have significant impact on local communities. We endeavour to work with external stakeholders while reviewing and updating closure plans regularly over the life of the mine, considering post-mining land uses that have potential benefits to the local communities.

Health and safety

We are working hard to encourage a committed health and safety mindset in all of our workforce, and to enable supporting behaviours, cultures and processes are in place across every area of our operations. We work to ensure mine workers are alert to their own safety, focus on their fitness for work, care about the safety of their colleagues and look out for any potential safety risks in our operations, however small. We need to continue to ensure our sites operate in a safe manner, particularly by improving our safety behaviour and enabling employees to quickly report incidents or potential incidents.

We are disappointed to report that there was one lost time injury during FY18. The injury occurred at Huntly West mine in April during a historical infrastructure demolition task and constituted minor lacerations to head and shoulder and a soft tissue shoulder injury. We will endeavour to continue to work with our contractors to ensure they understand our safety requirements and help them build skills and expertise to improve their safety performance where needed.

As part of the transition in bringing the three new mines into the Bathurst Group in FY18, we have completed a review of health monitoring across our operations. We engaged an occupational medicine physician to assist us with this review where it was determined that there was room for improvement. A revised programme of occupational health monitoring and exposure monitoring will be rolled out in FY19.

Significant effort in FY18 was focused on the health and safety transition plan for our new mines. Risk management was a key focus, addressed via 38 days of principal hazard risk assessments and updating the site management plans. Another area of emphasis was the review of management system elements, including site training systems, worker engagement practices, change management and document control.

We strive to reduce risks as far as is practicable. Two levels of risk management training were completed across all operating sites to support the risk management improvement focus.

A systems approach to safety by applying a focus on training and competency

Achieving zero harm is a huge challenge, especially for a company who was preparing to bring three new operations into the business.

The first step was to gain a good understanding of the situations that lead to accidents in our industry and the systems and processes which form the building blocks of a safe work environment.

The Safe Work Model (or Nertney Wheel) was developed in 1976 by Bob Nertney. The Safe Work Model is a practical model based on the knowledge that production and profit are the primary goals of an operation, but it must be done in a way to keep our people safe. To achieve Safe Productivity there are three key components which an organisation must provide for:

- Competent People
- Fit for Purpose Equipment
- Safe Work Practices.

We were committed to ensuring that we understood any potential health and safety risks during the due diligence process and any measures taken would be applied across all current and new operations. A major focus has been on the training and competency of our people. We need to provide suitable and adequate information, training and instruction to our workers by ensuring that they have the required skills and knowledge to carry out a task. But first we needed to understand what we needed to do.

Commencing in mid-2017, training compliance audits were conducted across all our mining operations and the findings incorporated into an improvement plan.

Competent People Element of the Safe Work Model

The audit criteria included validation of the established processes at the existing and new sites, as compared to New Zealand legislative requirements, and the establishment of an implementation plan for the identified improvement opportunities.

In light of the results a prioritised list of actions to address the most important issues was developed as follows:

- Revision of all Certificate of Competence (CoC) holder files.
- Development of an entry level Risk Management and Health and Safety Management Systems knowledge unit, now colloquially known as BRL1.
- Develop operator equipment assessment documents mapped to the NZQA or Australian RII unit competency standards where no equivalent New Zealand standards existed.
- Train all BRL personnel conducting training or assessment in *NZQA4098 Assessor* and *NZQA7108 Trainer* competency standards.
- Implement the BRL Training Standard across all operations.
- Develop induction packages for all operations which deliver a consistent approach to all employees and contractors joining Bathurst.
- Develop Supervisors', Superintendents, Managers and Health and Safety Representatives skills in accident investigation techniques based on the multi causation investigation framework used by Bathurst.

Fast forward one year and the ambitious implementation plan is well advanced:

- Concentrated training programmes for the delivery of the BRL1 training have resulted in the majority of all employees and contractors across all operations being competent in these units. Evidence would suggest a good understanding of the Bathurst risk management tools and their application has been achieved.
- All Trainers and Assessors have completed the appropriate unit standards ensuring that the delivery of training in equipment competencies happens in a consistent manner in accordance with the BRL Training Standard.
- CoC candidates and Supervisory positions such as B-Grade Managers, A-Grade Managers and Site Senior Executives (SSE) have access to customised units which include Bathurst systems and processes.
- Supervisor development programmes have been established.
- Site health, safety and environment inductions have been updated across all operations.

Environmental material aspects

Water management

We operate a water management planning process that allows us to operate within legislation and minimise conflict with other water users and associated ecosystems. Our operations are generally located in areas where water is relatively abundant; hence our key focus is on treating water discharge. In FY19 we will be implementing water balance quantification studies at all our sites in order to understand how we can maximise water recycling, minimise water use and optimise water discharge quality.

No water sources have been significantly affected by water depletion and adverse impacts by water use at our sites. Overall water use was 852 Ml in FY18.

Discharges from our Stockton mine site are being carefully managed to treat acid mine drainage. In FY18 over 7,500 tonnes of acidic mine drainage was actively treated using calcium oxide to neutralise the acid in the Mangatini stream catchment at Stockton mine site. This ongoing active treatment has led to recovery of migratory fish in the downstream Ngakawau River.

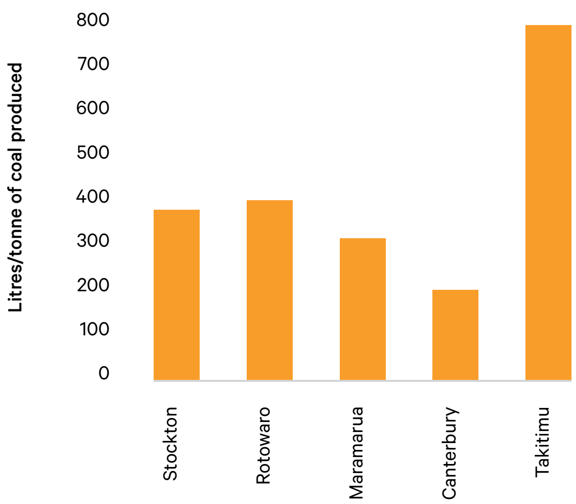
Operational site*	FY18 water use (Ml/yr)
Stockton	319
Rotowaro	278
Maramarua	42
Canterbury	25
Takitimu	186
Corporate	2
TOTAL	**852**

** Excludes care and maintenance mines Escarpment, Cascade and Sullivan*

Water use intensity

Based on estimates of water use, the water use intensity (measured as cubic metres of water used per tonne of coal produced) is shown below. The Takitimu mine is in close proximity to the Nightcaps village, thus the site has an intensive dust suppression programme which leads to its relatively high water use intensity compared to other sites.

Water use intensity FY18
(litres water used/tonne coal produced)



CASE STUDY

Enhancing indigenous fish migration in the Ngakawau River, Stockton mine, Stockton Plateau

We are working with local and international acid mine drainage treatment experts to continue the progressive treatment of historical and current acid mine drainage on the Stockton Plateau and to ensure that the aquatic ecology health of the Ngakawau River continues to improve.

In the Stockton mine catchments, coal mining has taken place for over 130 years. In that time hundreds of millions of tonnes of acid producing Brunner Coal Measures waste rock has been disturbed by underground and open cast mining. In the high rainfall environment of > 5 metres annual mean rainfall, this has resulted in a legacy of over 10,000 tonnes of acid mine drainage entering the Ngakawau River annually from historical workings and had a detrimental impact on the habitat and aquatic ecological health of whitebait.

The Ngakawau River is an important river for recreational whitebait fishing. Whitebait is the common name for five indigenous species of migratory Galaxiid fish that are allowed to be fished during the period 1 September to 14 November. Galaxiids breed in autumn and then the larvae float out to sea, where they live and grow over winter, migrating back upstream as juvenile whitebait in spring.

Juvenile Galaxiids (Whitebait) (so called because of the patterns of their skin which look like a galaxy of stars)

In the last financial year, Stockton mine has neutralised over 7,500 tonnes of acidic mine water by dosing with over 4,500 tonnes of calcium oxide in an active water treatment and associated settling sump of capacity 900,000 m^3 in the Mangatini catchment at Stockton. Approximately 98 percent of the 7,500 tonnes of acid treated in FY18 was historically generated acid from rock disturbed pre-September 2017.

In FY18, the site constructed engineered caps of weathered granite and cement kiln dust over 20 hectares of acid producing Brunner Coal Measures waste rock engineered landforms. These caps are designed to have a permeability of < 1 x 10-6 m/s which minimises oxygen and water ingress into the engineered landforms. In addition, the cement kiln dust provides a source of alkalinity. The cement kiln dust is a waste product from a local cement works and recycling this highly alkaline waste product in the acidic mine environment provides a positive environmental outcome.

Stockton mine has water quality consent criteria and objectives in the Ngakawau River that need to be met to protect migratory whitebait health. A key consent criterion is to ensure Ngakawau River pH is always greater than 4 and a key objective is to minimise the time period when dissolved Aluminium is > 1 mg/l. In the last financial year pH was > 4 at all times and dissolved Aluminium was < 1 mg/l for 85 percent of the time based on daily samples.

The result of this project agreed with Stockton Community Consultative Group (which includes Iwi, Department of Conservation, Ngakawau River Watch, Regional and District Councils, and community members) was the quantifiable successful migration of indigenous juvenile fish past the mine site discharges and into the headwaters of the Ngakawau River.

Stockton mine commissioned an independent electric fish survey in December 2017 in Ngakawau River headwaters upstream of the mine. Results indicated that juvenile whitebait and eels had migrated beyond the minewater discharges to the headwaters. This indicates that efforts by Stockton mine to improve water quality is facilitating the return of whitebait and eels to the headwaters of Ngakawau River.

Another headwater fish survey will be undertaken in December 2018 to ensure that Stockton mine's acid mine drainage management and treatment systems are continuing to have positive impacts for the Ngakawau River aquatic ecology.

Land use and biodiversity

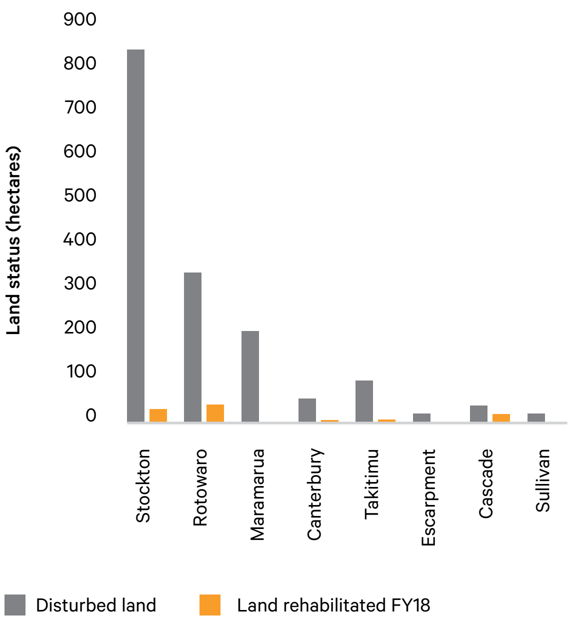
Biodiversity and other related ecosystem services represent the infrastructure on which our people and economy depend. We are working with experts and local stakeholders to put in place suitable solutions for biodiversity outcomes, and we will report on these next year.

Our goal is to minimise our footprint and progressively restore disturbed land to meet closure criteria in the shortest time possible. Our approach is to avoid, minimise, mitigate and offset the impacts of our operations.

This is achieved through focused mine planning, to ensure the disturbed footprint is minimised and soil is treated as a valuable commodity. A series of rehabilitation management plans are actioned during operations to mitigate effects and/or restore the habitat to a land use condition of similar values to pre-mining.

Overall, net land disturbance in FY18 reduced by 31 hectares. The Stockton mine has 55 percent of the total disturbed area of 1,542 hectares. Stockton's previous operator had over 15 active coal winning areas open simultaneously and this precluded progressive rehabilitation. The revised Stockton mine plan under our management includes reducing the active coal winning areas and establishing a more progressive strip mining operation in the Millerton pit area. This will aim for progressive rehabilitation to increase to a rate approximately double the current rate of 25 hectares per year.

Land disturbed at end of FY18 and land rehabilitated in FY18



Excludes land rehabilitated completed at sites prior to FY18

Lizard salvage and monitoring – Escarpment mine, Denniston Plateau

The 1,750 hectare Denniston Plateau is Crown land administered by the Department of Conservation (DOC) and is notable for the diverse and unique biodiversity including the mix of lizard species found there. Through the consenting process for the Escarpment mine which is located on the Denniston Plateau, Bathurst worked with DOC to develop and implement a lizard management plan. This plan identifies a range of commitments to avoid, remedy and mitigate the adverse effects of mining activities on the lizard populations, and to offset and enhance populations across the wider Plateau.

Research and monitoring are key components to determining and adaptively refining management effectiveness and efficiencies. The key objectives of the monitoring and research programme are to:

- Add to baseline information and improve the general understanding of lizard species, and their relative abundances within the mine site and the wider Denniston Plateau. Originally three species (two gecko and one skink) were known to occur there; the survey work has uncovered a further species that was thought may have been present, but had not been found (Nelson green gecko).
- Assess the effects of animal pest control on lizards, particularly within the 700ha Denniston Permanent Protection Area (DPPA). This is an area set aside for protection and enhancement as an offset for the adverse effects within the mine site. One of the consent conditions requires a sustained improvement in abundance of two of the lizard species in the DPPA.
- Determine the suitability of the rehabilitated mine site for lizards.
- Determine the efficacy of salvage and translocation as a tool to mitigate effects and, wherever possible, to enhance survival rates of relocated animals.

Prior to commencing earthworks in any area, searches were required to be undertaken and any lizards found translocated to a suitable location within the DPPA. Initially concerns were raised about the chances of survival for translocated individuals, as there were many unanswered questions around preferred habitat, competition, and predation. To respond to some of these questions, all lizards beyond a certain size were temporarily fitted with radio transmitters so that survival and habitat preferences could be determined. A corresponding population of lizards in the relocation area was monitored using transmitters as a control.

Typical transmitter/harness setup on a forest gecko

Radio tracking results suggest that, at least in the short-term, salvage and relocation efforts are successful. Species survivorship is high and animals exhibit site fidelity (i.e. remain in the area in which they were released). Body condition (weight) generally declined, however, this may have been attributed to the radio tracking as the body weight of resident geckos also declined. While results appear successful in the short term, further work including increasing the sample size is required to determine if salvaged geckos will survive in the long term.

The radio tracking study results indicate that all three gecko species use the full range of broad habitat types available on the Denniston Plateau (i.e. sandstone pavement/prostrate vegetation, shrubland and forest). Prior to this study, forest and West Coast green geckos have predominantly been found in prostrate vegetation and to our knowledge have not been found in forested habitats. The wider range of available habitat indicates that the gecko populations are likely to be larger and more widespread than first thought.

Salvage and search efficiencies have been significantly improved, predominantly because of the amount of time spent searching and through the information gleaned from the radio tracking results.

While the site is in care and maintenance no further work is planned, however prior to recommencement, further research and translocation will be completed. This will enable establishing a sufficient data-set for statistically robust analysis to be applied. Habitat characterisation surveys are also planned for before the mine recommences operations, and this will assist with detailed design of the rehabilitated landform.

DOC undertakes a programme of weed and pest control across the Denniston Plateau funded by compensation money paid by Bathurst. There is an ongoing close working relationship with DOC to ensure that maximum benefits can be obtained for biodiversity in the area, including determining how to best measure the benefits of weed and predator control for the lizard populations.

Energy and emissions

Energy use

In FY18 our energy consumption remained one of our largest operational inputs. A project has been initiated to improve energy management, looking to become more efficient and consequently reduce the energy intensity of our operations.

Our total energy consumption is reported in terms of energy consumed (fuel and electricity) by staff and contractors. A total energy use of 768,294 GJ was used at our five operational sites and corporate offices in FY18.

93 percent of the energy consumed within Bathurst sites included fuel used for onsite transport, operations and power (at Canterbury mine site). The remaining seven percent of energy consumed was purchased electricity.

When comparing energy consumption by operation, there are significant differences which can be accounted for by the scale of the operation and the mine life cycle stage. Stockton mine is the largest consumer of energy with 276,152 GJ which is consistent with producing the most coal of the five sites and reflects the electricity used in the Stockton coal preparation and handling plant. Rotowaro is the second largest consumer with 265,977 GJ which reflects the fact that Rotowaro mine moved almost seven million bcm of waste rock in FY18, which reflects increased stripping ratios in this mature mine.

Greenhouse gas emissions

We participate in the Emissions Trading Scheme ("ETS") where pricing of ETS units is passed on to our customers as part of the product supply. We will continue to work with our customers around our participation in the ETS assisting them through focus on the quality of energy supplied and efficient logistic pathways.

Our mining projects use significant quantities of diesel fuel to perform open pit operations including the onsite transportation of our coal and coal extraction. Electricity consumption is also essential for our coal processing, water treatment plants and mine management systems. We report our GHG emissions with reference to their source as follows:

GHG emissions type	GHG emission source
Direct (Scope 1)	Fuel consumed on-site by BRL and contractors for core business activities and in corporate offices; fugitive emissions from production coal for FY18.
Energy Indirect (Scope 2)	Purchased electricity consumed on-site and in corporate offices.

Reference: Ministry for the Environment National GHG Inventory 1990-2015

In addition, our coal produced releases GHGs (fugitive emissions) and these are also accounted for in the FY18 production in Scope 1 emissions.

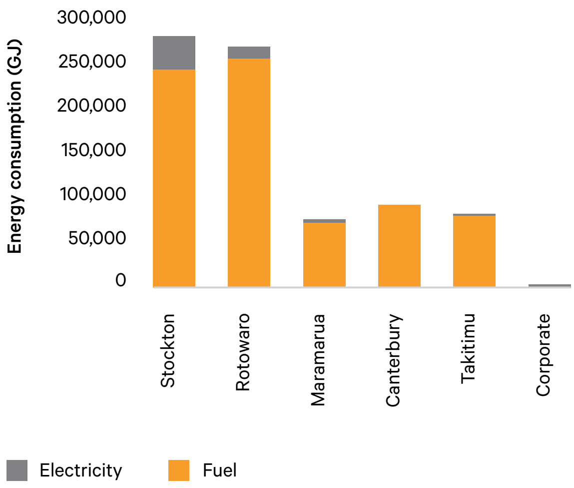
During FY18, we have improved the data acquisition and record system for greenhouse gas ("GHG") emissions from our operations, including corporate offices.

For this first year of reporting, we are aligning with the GRI reporting requirements in terms of Scope 1 and 2 emissions. In accordance with GRI, we have included carbon dioxide in our GHG emissions calculations, reported as carbon dioxide equivalents (CO_2e) with the intention of extending the scope of gases included in future reports.

Consumption of electrical power related GHG emissions for our operations is relatively low compared with GHG emissions from diesel use. Our coal is low ash and high quality, reducing the level of coal processing required. In addition, the GHG emission factor can significantly affect the level of emissions. The New Zealand grid has a significant percentage of renewable energy sources in its supply and a resultant lower CO_2 emission factor *(Reference: ETS Climate Change (Stationary Energy and Industrial Processes) Regulations 2009 (part 2 Section 9)).*

The total GHG emissions for Scope 1 and 2 for FY18 are 98,102 tonnes CO_2e. 47 percent related to fugitive emissions of production coal, approximately two percent related to electricity and the bulk of the remaining 51 percent related to fuel consumption. Note all emissions and power use reported are only ten months from date of acquisition in FY18 for Stockton, Rotowaro and Maramarua mines.

Comparison of energy consumption by operation FY18



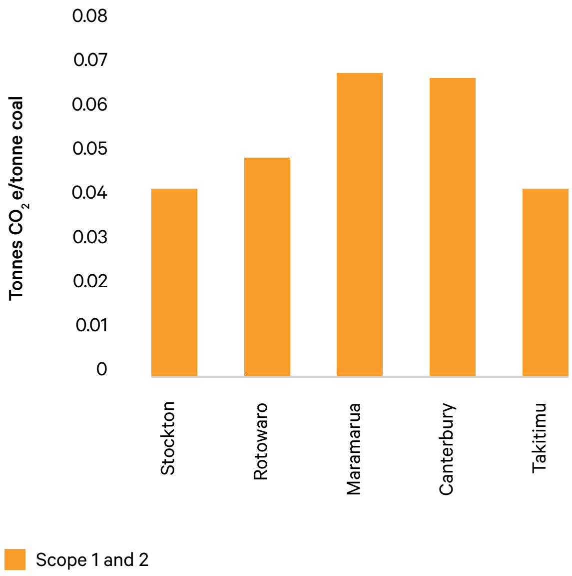
Excludes Escarpment, Cascade and Sullivan mines where consumption was zero for FY18

Scope 1 and Scope 2 emissions by operation FY18

Site	Scope 1 emissions (t/CO_2)	Scope 2 emissions (t/CO_2)
Stockton	36,771	1,078
Rotowaro	33,396	435
Maramarua	7,354	131
Canterbury	8,839	0
Takitimu	10,040	38
Corporate	15	5
Total	**96,415**	**1,687**

In FY18, the highest GHG emissions intensity were at the Canterbury and Maramarua mines. Intensity is high at Canterbury mine due to electricity supply at this site being from diesel generators as it is off grid. Maramarua mine has a relatively higher emissions intensity due to the site being in a development stage resulting in reduced coal outputs.

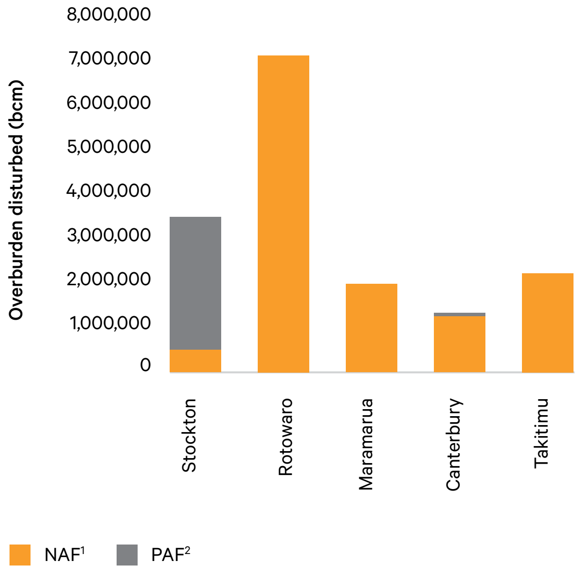
GHG emissions intensity FY18
(tonnes CO_2e/tonne coal produced)



Overburden management

During FY18, the two sites that currently produce potential acid producing waste rock are Stockton and Canterbury.

Overburden (bcm) disturbed in FY18



[1] NAF – Non-acid forming overburden
[2] PAF – Potentially acid forming overburden

Site	NAF	PAF
Stockton	393,308	3,059,228
Rotowaro	6,984,000	0
Maramarua	1,739,000	0
Canterbury	1,139,000	118,000
Takitimu	2,084,213	0
Total	**12,339,521**	**3,177,228**

Stockton mine is adopting some of the successful overburden dump construction techniques used at the Barren Valley Engineered Landform at Escarpment mine to minimise acid production. Escarpment mine (on care and maintenance) has installed a mussel bed bioreactor to test passive treatment options for closure of overburden storage areas.

We are funding a research project to assess the neutralising agents currently used to treat acid mine drainage at Stockton mine to provide an optimal neutralising solution that includes minimising the carbon footprint of acid management.

Canterbury mine uses two mussel bed bioreactors to successfully passively treat five tonnes of acid/year.

Governance

Environmental compliance

Throughout our mines' life cycle, we focus on meeting or surpassing environmental regulatory requirements and managing our most material impacts: air emissions, water quality, water consumption, energy use, waste, biodiversity and land use.

Our corporate environmental governance is based on international standards for environmental management. Our Environmental Policy and supporting management system applies equally to all employees and contractors. The Bathurst HSEC Management System applies throughout the full mining cycle from exploration to closure and aftercare phases.

Complaints pertaining to environmental issues are recorded via complaints registers that are maintained at all sites. Complaints are investigated via an internal incident investigation system and are only closed off when resolved.

As previously reported, two sets of infringement notices were issued by the regional council (Environment Canterbury) in October and November 2017 in relation to non compliances with conditions of a water permit. Further a water discharge occurred at the Canterbury mine on 11 January 2018. The regional council (Environment Canterbury) laid charges in respect of this incident in July 2018. Bathurst made an application to be placed in the council's alternative environmental justice system and this has been accepted.

We have identified the contributing factors that led to these incidents occurring and understand that our overall performance was not good enough. All operations have updated their environment and community broad brush risk assessments and are now working to action their identified risk control improvements, so this incident is not repeated at any site.

Mine closure plans

Mine closure risk assessments and mine closure workshops with site personnel have been undertaken at all sites in FY18. High level risks and action plans have been distilled to allow comprehensive mine closure plans to be prepared in FY19.

These plans will be developed in FY19 based on a new company mine closure standard. Consultation will occur with external stakeholders to ensure post-mining land uses for mining affected areas provide optimal benefit for stakeholders. Amounts have been accrued in the Company's financial statements to provide for mine closure obligations. Future remediation costs for mines (active and inactive) are estimated and updated every six months and include ongoing care, maintenance and monitoring costs.

Emergency preparedness management

We are committed to achieving operational excellence in all aspects of our activities. This is achieved through ensuring we have effective systems, well designed operations, qualified and experienced staff, effective risk identification processes, and robust operating and safety procedures. However, we recognise that there is always a residual risk of an adverse event occurring.

We have developed a crisis management plan in order to mitigate the impacts of any significant adverse event on the public, our employees and the environment. The crisis management plan is integrated with site emergency response plans which are maintained and regularly tested at our mine sites.

We have worked with New Zealand Mines Rescue Service to develop training programmes to test our emergency response across all operations in the event of different types of emergencies. The training programme is risk based, identifying skills required to manage scenarios for each individual site's specific principal hazards.

In the past 12 months, the Takitimu mine has been preparing to mine into an area of historical underground workings. A new emergency rescue team has been initiated at Takitimu mine who are developing and testing void management skills such as rope rescue, gas monitoring and compressed air breathing apparatus.

Our people

Board of Directors

Toko Kapea BA, LLB

Non-executive Chairman

Board Committees

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

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 is currently a director on the TVNZ board.

Toko was on the Government Review Panel relating to the Te Ture Whenua Māori Act 1993 (Māori Land Act) and was also the lead negotiator for Ngāti Apa ki Rangitikei (North Island) for its direct negotiation Treaty of Waitangi claims with the Crown.

Richard Tacon

Executive Director and Chief Executive Officer

Board Committees

Member of the Health, Safety, Environment and Community committee

Experience and expertise

Richard has worked in almost every role in the coal mining sector since starting his career in the 1970s.

After studying at the Otago School of Mines in New Zealand, Richard's first job was at a government owned mine in Greymouth. He moved to Australia to further his career, working his way from undermanager to General Manager. Richard has held senior leadership roles in the coal sector for the past decade.

Richard returned to New Zealand to the position of Chief Operating Officer with Bathurst in 2012. He was appointed Chief Executive Officer in March 2015.

Richard holds first, second and third class coal mining qualifications. He has spent 15 years on a rescue crew, making him familiar with the principles and practice of mine safety. He is an ex-secretary of the Australian Mine Managers Association and sits on the board of the New Zealand Mines Rescue Trust.

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

Russell Middleton MBA, BBus, GAICD

Executive Director and Chief Financial Officer

Board Committees

Member of the Audit and Risk committee

Experience and expertise

Russell has almost 30 years in the mining and construction sector with significant experience in 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 extensive experience with both large and small enterprises including senior management roles with BHP before working with both Shell and Anglo American in development, construction and production of major mining operations.

Russell is a director of BT Mining Limited and NWP Coal Canada Limited as a Bathurst Resources representative.

Peter Westerhuis MBC, BEng

Non-executive Director

Board Committees

Chairman of the Health, Safety, Environment and Community committee
Member of the Remuneration and Nomination committee

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, with 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, and owner and operator 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.

Company Secretary

Bill Lyne

Company Secretary

Bill 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 three other ASX-listed companies, including Orion Metals Limited, and Jumbo Interactive Limited of which he is also a director.

Bill 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 the Governance Institute of Australia.

Our leadership team

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 in New Zealand and the UK.

She has specialised in mining, environmental and climate change law and has worked for Simpson Grierson, Minter Ellison Rudd Watts and the Ministry of Foreign Affairs and Trade, has taught law professionals and was General Counsel for Solid Energy for 11 years.

Alison holds a Master of Laws with Honours and has been with Bathurst since 2013.

Carmen Dunick

Manager, Human Resources

Carmen is an HR professional with over 15 years' experience in both the public and private sectors, having worked in all areas of HR.

Carmen joined Bathurst in April 2017 to manage the people transition of BT Mining, and has subsequently taken on the overall management of the HR function across the whole business. Prior to joining Bathurst, Carmen consulted for a number of government agencies in Wellington and has also spent time in the financial services sector in Melbourne.

Carmen holds a Bachelor of Social Sciences and is a member of HRINZ. She is based in the Wellington office.

Ian Harvey

General Manager, Export Operations

A mining engineer with 30 years' mining industry experience, Ian has held senior management and operations leadership roles in New Zealand and Australia in several commodities including bauxite, iron ore and coal. Ian has a strong engineering background with a high level of expertise in metallurgical coal resource optimisation and mine planning and design, as well as risk management and leadership of resource and infrastructure projects.

Ian holds a degree in science honours (Mineral Technology) from the University of Otago and is a member of the Australasian Institute of Mining and Metallurgy.

Sam Johnstone

General Manager, 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 New Zealand Limited marketing team, initially within the domestic markets team before transitioning into export marketing in 2009. In 2013 Sam was appointed General Manager – Marketing and Logistics, working to redefine the company strategy while managing the domestic and export markets through a period of consolidation, mine/market optimisation and the sale of Solid Energy assets.

Sam holds a Postgraduate Masters in Science, majoring in Geography from Canterbury University.

Sam is based in the Christchurch office and leads the Marketing (Export and Domestic) and Logistics teams.

Damian Spring

General Manager, Domestic Operations

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

Prior to joining Bathurst, Damian operated a mining consultancy serving clients in Australasia and the Americas, including Bathurst. His previous roles include Chief Operating Officer for a junior Australian mining company, Chief Mining Engineer for a world class silver-lead deposit in Argentina and Underground Manager in Western Australia.

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

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 2018.

Directors

The following persons were directors of Bathurst Resources Limited as at 30 June 2018.

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

Principal activities

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

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

Dividends

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

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 licences granted originally under the *Coal Mines Act 1979* and now regulated under the *Crown Minerals 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 or profit à prendre granted by owners of private (i.e. non-Crown owned) 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 granted either 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.

Two sets of infringement notices were issued to Canterbury mine by the Canterbury Regional Council in October and November 2017, relating to non-compliance of conditions of water permits. A discharge occurred at the Canterbury mine in January 2018 and the Canterbury Regional Council laid charges in respect of this incident. The Company applied for this matter to be dealt with through the Council's alternative environmental justice processes and this has been accepted by the Council.

Other than as disclosed, 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* and *Health and Safety at Work (Hazardous Substances) Regulations 2017* when handling hazardous materials. To the best of the directors' knowledge, no instances of non-compliance have been noted.

Emissions Trading Scheme

The New Zealand Emissions Trading Scheme came into effect 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 on to customers. Bathurst's Emissions Trading Policy can be found on our website.

Corporate governance

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

Donations

The Company made donations totalling $37,948 to several local groups during the year including scholarships.

Directors' and officers' liability insurance

The Bathurst Group and its joint ventures 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.

Other information on directors

Directors' securities interests

Director	Ordinary shares	Performance rights
Mr T Kapea	1,575,909	2,000,000
Mr R Middleton	6,762,817	4,765,492
Mr P Westerhuis	1,728,636	1,500,000
Mr R Tacon	9,687,960	5,215,067

For further information on the performance rights, refer to note 25 in the Financial Statements.

The increase in ordinary shares held by directors arose from the conversion of the Redeemable Convertible Preference Shares that were issued in February 2017 to fund the Company's investment in BT Mining. These instruments were converted to shares at the option of Bathurst on 18 September 2017.

Other current directorships of listed companies

No directors hold other current directorships in listed companies.

Former directorships of listed companies in last three years

Russell Middleton was a non-executive director of Tiger Resources Limited from July 2016 to October 2016.
No other directors held former directorships of listed companies in the last three years.

Remuneration report

Role of the Remuneration and Nomination committee

The Remuneration and Nomination committee ("R&N committee") is a subcommittee of the Bathurst Board of Directors ("Board"). All its members are non-executive directors. 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 scheme.

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 also seeks advice from independent remuneration consultants where appropriate.

There were no major changes to the remuneration framework during the year as Bathurst focused on the BT Mining 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 section of our website provides further information on the role of the R&N committee.

Principles used to determine the nature and amount of remuneration

Non-executive directors' fees

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.

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.


EX0
EX0

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

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

The executive remuneration and reward framework has three components:

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

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.

Short-term incentives

Short-term incentives are an at-risk component of senior executive remuneration in addition to fixed annual remuneration and payable in cash on achievement of performance targets that align with short- and medium-term business plans. These are reviewed and paid annually, as recommended to the Board by the R&N committee.

There is no guarantee that these incentives are approved or increased annually.

Long-term incentives

Bathurst's 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.

For further information on the performance rights, refer to note 25 in the Financial Statements.

Service agreements

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

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

Directors' remuneration

The total remuneration and other benefits to directors for services in all capacities during the year ended 30 June 2018 was:

Director	Directors' fees	Short-term benefits	Share-based payments	Total
Mr T Kapea	$120,000	-	$62,677	$182,677
Mr R Middleton	$10,666	$371,163	$189,960	$561,123
Mr P Westerhuis	$65,078	-	$47,008	$112,086
Mr R Tacon	-	$593,115	$227,903	$821,018

Directors' fees were paid to Mr Middleton up to the point at which he was appointed Chief Financial Officer ("CFO") in August 2017. Short term benefits for both Mr Tacon and Mr Middleton are executive remuneration in their capacity as Chief Executive Officer ("CEO") and CFO respectively.

Employee remuneration

During the year ended 30 June 2018, 28 employees (excluding the CEO) received individual remuneration over $100,000.

Range	# of employees
100,001 – 110,000	5
110,001 – 120,000	3
120,001 – 130,000	3
130,001 – 140,000	3
140,001 – 150,000	2
160,001 – 170,000	2
170,001 – 180,000	1
180,001 – 190,000	1
210,001 – 220,000	2
220,001 – 230,000	1
270,001 – 280,000	2
290,001 – 300,000	2
370,001 – 380,000	1

The interests of the current Company officers (excluding the CEO and CFO) in securities of the Company at 30 June 2018 were nil.

$237.1m

Revenue — $195.5m

$93.7m

EBITDA — $83.7m

$54.6m

Operating cash flows — $45.4m

$43.4m

Underlying profit — $42.3m

Highest net profit after tax since incorporation

Net assets increased **$64.2 million**

Financial figures noted are Bathurst and 65 percent equity share of BT Mining.

02
Financial statements

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These financial statements were authorised for issue on behalf of the Board of Directors on 27 August 2018.

Toko Kapea
Chairman

Russell Middleton
Director

Income Statement

For the year ended 30 June 2018

	Notes	2018 $'000	Restated 2017 $'000
Revenue	3	47,817	41,591
Less: cost of sales	4	(32,854)	(32,379)
Gross profit		**14,963**	**9,212**
Share of equity accounted profit/(loss)	15	42,961	(775)
Other income		213	618
Depreciation	12	(2,431)	(2,952)
Administrative and other expenses	5	(9,150)	(7,650)
Fair value gain on deferred consideration	20	102	1,749
(Loss)/gain on disposal of fixed assets		(21)	110
Impairment losses	8	(1,630)	-
Operating profit before tax		**45,007**	**312**
Fair value movement on derivatives	19	(27,687)	(12,530)
Fair value movement on borrowings	18	(4,434)	-
Finance cost	6	(7,487)	(4,318)
Finance income	6	149	869
Profit/(loss) before income tax		**5,548**	**(15,667)**
Income tax	7	-	-
Total profit/(loss) after tax		**5,548**	**(15,667)**

Profit/(loss) per share		**Cents**	**Cents**
Basic profit/(loss) per share	24	0.40	(1.60)
Diluted profit/(loss) per share	24	0.40	(1.60)

Statement of Comprehensive Income

For the year ended 30 June 2018

	2018 $'000	Restated 2017 $'000
Total profit/(loss) after tax	**5,548**	**(15,667)**
Other comprehensive profit, net of tax		
Items that may be reclassified to profit or loss:		
Exchange differences on translation	5	-
Total comprehensive income/(loss)	**5,553**	**(15,667)**

Balance Sheet

As at 30 June 2018

	Notes	2018 $'000	Restated 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	20,179	28,892
Restricted short-term deposits		4,037	3,808
Trade and other receivables	10	3,903	4,199
Inventories	11	1,226	2,083
New Zealand emission units		396	233
Other financial assets		25	20
Total current assets		**29,766**	**39,235**
Non-current assets			
Property, plant and equipment	12	17,521	14,325
Mining licences, properties, exploration and evaluation assets	13	26,307	20,614
Crown indemnity	21	351	-
Interest in joint venture	15	45,436	3,515
Other financial assets		114	114
Total non-current assets		**89,729**	**38,568**
TOTAL ASSETS		**119,495**	**77,803**
LIABILITIES			
Current liabilities			
Trade and other payables	17	5,735	7,677
Borrowings	18	1,895	23,697
Deferred consideration	20	1,258	953
Provisions	21	1,160	1,111
Total current liabilities		**10,048**	**33,438**
Non-current liabilities			
Trade and other payables	17	-	143
Borrowings	18	27,883	10,340
Derivative liabilities	19	-	17,809
Deferred consideration	20	6,350	6,975
Provisions	21	4,768	2,874
Total non-current liabilities		**39,001**	**38,141**
TOTAL LIABILITIES		**49,049**	**71,579**
NET ASSETS		**70,446**	**6,224**
EQUITY			
Contributed equity	22	263,179	249,092
Debt instruments – equity component	22	43,788	-
Reserves	23	(31,837)	(32,636)
Accumulated losses		(204,684)	(210,232)
TOTAL EQUITY		**70,446**	**6,224**

Statement of Changes in Equity

For the year ended 30 June 2018

	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
1 July 2016	**247,378**	**-**	**52**	**(154)**	**(194,565)**	**(32,760)**	**19,951**
Comprehensive loss	-	-	-	-	(15,667)	-	(15,667)
Share-based payments expense	-	-	226	-	-	-	226
Contributions of equity	1,714	-	-	-	-	-	1,714
	1,714	**-**	**226**	**-**	**(15,667)**	**-**	**(13,727)**
30 June 2017 (restated)	**249,092**	**-**	**278**	**(154)**	**(210,232)**	**(32,760)**	**6,224**
Comprehensive profit	-	-	-	5	5,548	-	5,553
Contributions of equity	14,087	43,788	-	-	-	-	57,875
Share-based payments expense	-	-	794	-	-	-	794
	14,087	**43,788**	**794**	**5**	**5,548**	**-**	**64,222**
30 June 2018	**263,179**	**43,788**	**1,072**	**(149)**	**(204,684)**	**(32,760)**	**70,446**

Statement of Cash Flows

For the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		47,934	41,155
Payments to suppliers and employees		(39,726)	(31,992)
Dividend from BT Mining	15	13,000	-
Net cash inflow from operating activities	**26**	**21,208**	**9,163**
Cash flows from investing activities			
Exploration and consenting expenditure		(292)	(889)
Mining assets (including capitalised waste moved in advance)		(8,581)	(5,759)
Property, plant and equipment purchases		(3,382)	(3,770)
Proceeds from disposal of property, plant and equipment		-	925
Restricted deposits		(230)	(1,225)
Deferred consideration		(903)	(809)
Advances paid to/further investment in BT Mining	15	(21,044)	(4,290)
BT Mining repayment of loan to the Company	15	9,084	-
Other		59	(19)
Net cash outflow from investing activities		**(25,289)**	**(15,836)**
Cash flows from financing activities			
Proceeds from borrowings		732	35,567
Interest received		195	81
Interest and other finance costs paid		(283)	(163)
Repayment of borrowings		(2,240)	(3,026)
Interest on debt instruments		(3,036)	(219)
Net cash (outflow)/inflow from financing activities		**(4,632)**	**32,240**
Net (decrease)/increase in cash and cash equivalents		**(8,713)**	**25,567**
Cash and cash equivalents at the beginning of the year		28,892	3,325
Cash and cash equivalents at the end of the year	**9**	**20,179**	**28,892**

Notes to the Financial Statements

For the year ended 30 June 2018

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 ASX listing rules.

These financial statements have been approved for issue by the Board of Directors on 27 August 2018.

The financial statements presented as at and for the year ended 30 June 2018 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 Group financial statements 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 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 for 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 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 and regulatory 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) 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 20.

(iii) Convertible notes and redeemable convertible preference shares

The conversion feature of the convertible notes 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). Because of this classification the value attributed to the conversion feature is not subsequently remeasured after initial recognition through profit or loss. Refer to note 1(y) for further information on the treatment of the conversion feature.

(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.

1. Summary of significant accounting policies (continued)

D. Critical estimates, judgements and errors continued

(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. 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 21.

(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.

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.

Notes to the Financial Statements

For the year ended 30 June 2018

1. Summary of significant accounting policies (continued)

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 the 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 have 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.

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.

1. Summary of significant accounting policies (continued)

H. Income tax continued

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 9 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 20.

Notes to the Financial Statements

For the year ended 30 June 2018

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 unrealised 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 and mining licences and properties 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.

1. Summary of significant accounting policies (continued)

L. Property, plant and equipment continued

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.

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. Mining and development properties

Mining licences and development properties include the cost of acquiring and developing mining properties, licences, 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 asset's 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.

N. 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.

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 ("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 them 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.

Notes to the Financial Statements

For the year ended 30 June 2018

1. Summary of significant accounting policies (continued)

O. Waste in advance continued

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

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

P. 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.

Q. 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.

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.

1. Summary of significant accounting policies (continued)

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.

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 however this standard is not expected to have a material impact.

Y. Standards and interpretations adopted during the year

The financial information presented for the year ended 30 June 2018 has been prepared using accounting policies consistent with those applied in the Group's 30 June 2017 financial statements, except for the restatement of the Company's convertible notes and redeemable convertible preference shares ("convertible instruments").

Notes to the Financial Statements

For the year ended 30 June 2018

1. Summary of significant accounting policies (continued)

Y. Standards and interpretations adopted during the year continued

Restatement of prior year comparatives - convertible instruments and subsequent modification

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

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

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

It is noted that when the debt principal in AUD is translated to the Group's functional currency (NZD), this does create variability in the amount recorded. The Group has restated at 30 June 2017 the conversion feature for the convertible instruments from equity to derivative liabilities to provide more relevant information about the effect of these convertible instruments.

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

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

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

The impact on the loss recorded for 30 June 2017 was $12.5m increase in fair value movement on derivatives expense, and $1.0m increase in finance expenses. Consequently the loss per share attributable to the ordinary equity holders of the Company was restated as follows:

	Cents	
	Original	**Restated**
Basic loss per share for the year ended 30 June 2017	(0.19)	(1.60)
Diluted loss per share for the year ended 30 June 2017	(0.19)	(1.60)

2. Segment information

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

The presentation of segments for 30 June 2018 has been modified to that presented in the 30 June 2017 Financial Statements. This reflects a change in how management view business operations with the integration of BT Mining Limited ("BT Mining") (for further information refer note 15).

The Export segment represents the previous Bathurst operating segment Buller Coal and 100 percent of BT Mining's South Island export mine results. The Domestic segment represents the prior Bathurst Eastern Coal segment and 100 percent of the two BT Mining North Island domestic mines. Bathurst Corporate now also includes 100 percent of BT Mining Corporate.

A reconciliation to profit after tax per Bathurst's Income Statement is provided via the elimination of BT Mining column.

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

Three Bathurst customers met the reporting threshold of 10 percent of Bathurst's operating revenue in the year to 30 June 2018, contributing $17.8m, $6.4m and $6.3m (2017: two customers contributing $11.4m and $5.7m).

Year ended 30 June 2018	Export $'000	Domestic $'000	Corporate $'000	TOTAL $'000	Eliminate BT Mining $'000	TOTAL Bathurst $'000
Revenue	**218,579**	**122,588**	**467**	**341,634**	**(293,455)**	**48,179**
EBITDA[1]	105,001	50,865	(16,217)	139,649	(131,190)	8,459
Share of equity accounted profit - BT Mining 65%	-	-	-	-	-	42,961
Income tax expense	-	-	(35,281)	(35,281)	35,281	-
Operating profit/(loss) after tax	**98,437**	**38,718**	**(26,033)**	**111,122**	**(109,076)**	***45,007**
Fair value movements	-	-	(32,121)	(32,121)	-	(32,121)
Net finance costs	(782)	(1,416)	(13,159)	(15,357)	8,019	(7,338)
Comprehensive income/(loss) after tax	**97,655**	**37,302**	**(106,271)**	**28,686**	**(66,094)**	***5,553**
Amounts included in comprehensive income/(loss)						
Depreciation and amortisation	6,083	10,678	130	16,891	(12,006)	4,885

* Note that Total Bathurst operating profit and comprehensive income does not equal the sum of Total minus elimination of BT Mining, as the Company's 65 percent of BT Mining's profit is added back

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

Notes to the Financial Statements

For the year ended 30 June 2018

2. Segment information (continued)

Year ended 30 June 2017	Export $'000	Domestic $'000	Corporate $'000	TOTAL Bathurst $'000
Revenue	**250**	**41,386**	**1,442**	**43,078**
EBITDA	(1,184)	15,949	(4,797)	9,970
Profit/(loss) after tax	**(1,294)**	**4,604**	**(18,977)**	**(15,667)**
Comprehensive income/(loss) after tax	**(1,294)**	**4,604**	**(18,977)**	**(15,667)**
Depreciation and amortisation	44	10,529	59	10,632

3. Sales revenue

	2018 $'000	2017 $'000
Coal sales	35,831	29,063
Freight	11,986	12,528
Sales revenue	**47,817**	**41,591**

4. Cost of sales

Raw materials, mining costs and consumables used	7,939	7,124
Freight costs	12,494	11,508
Mine labour costs	9,096	6,253
Amortisation expenses	2,454	7,680
Changes in inventories of finished goods and work in progress	871	(186)
Total cost of sales	**32,854**	**32,379**

5. Administrative and other expenses

Administrative and other expenses includes the following items:

Remuneration of auditors for audit and review of financial statements	163	176
Directors' fees	196	282
Legal fees	2,131	1,112
Consultants	933	1,144
Employee benefit expense	2,288	2,557
Rent	287	271
Share-based payments expense	794	226

6. Net finance costs

	Note	2018 $'000	Restated 2017 $'000
Interest income		149	142
Foreign exchange gain		-	296
Unrealised foreign exchange gain on debt instruments		-	431
Total finance income		**149**	**869**
Success fee		(854)	-
Interest expense		(458)	(357)
Interest expense on debt instruments		(3,396)	(2,965)
Realised foreign exchange loss		(87)	-
Unrealised foreign exchange loss on debt instruments		(1,764)	-
Provisions: unwinding of discount	21	(255)	(210)
Deferred consideration: unwinding of discount	20	(673)	(786)
Total finance costs		**(7,487)**	**(4,318)**
Total net finance costs		**(7,338)**	**(3,449)**

7. Income tax

(a) Income tax

Current tax	(2,108)	(4,275)
Deferred tax	2,108	4,275
Income tax	**-**	**-**

Reconciliation of income tax to prima facie tax payable		
Profit/(loss) before income tax	5,548	(15,667)
Tax at the standard New Zealand rate of 28%	1,554	(4,387)
Tax effects of amounts not assessable in calculating taxable income:		
Share of BT Mining profit	(12,029)	217
Dividend from BT	5,056	-
Fair value movement on derivatives and borrowings	8,994	3,508
Other permanent adjustments	1,717	468
Tax losses not recognised	13	439
Other deferred tax movements	(5,305)	(245)
Income tax	**-**	**-**

Further information relating to deferred tax is set out in note 16.

Notes to the Financial Statements

For the year ended 30 June 2018

7. Income tax benefit (continued)

(b) Imputation credits

	2018 $'000	2017 $'000
New Zealand imputation credit account	5,055	-
Available for use in future periods	**5,055**	**-**

8. Impairment losses

	Note		
Impairment of exploration and evaluation assets	13	630	-
Impairment of mining assets	13	1,000	-
Total impairment losses		**1,630**	**-**

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 Canterbury Coal, Takitimu mine and the Timaru coal yard.
- Buller Coal Project, as there is a large amount of shared infrastructure between the proposed mines, necessary blending of the pit products at the same site, and the similar geographical location of the pits.
- Cascade mine, as the mine when in operation had established domestic markets which allow a profitable operation without relying on 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.

Bathurst Domestic Coal

No indicators of impairment were present at 30 June 2018. Some specific historical balances unrelated to Bathurst's current mining operations were written off during the year as they could no longer be supported. Apart from these specific items, no impairment was recorded as at 30 June 2018.

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. The CGU remains fully impaired at 30 June 2018.

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 2018.

9. Cash and cash equivalents

	2018 $'000	2017 $'000
Cash at bank and on hand	20,179	3,950
Cash held in escrow	-	24,942
Cash and cash equivalents	**20,179**	**28,892**

The balance held in escrow at 30 June 2017 was used to settle the acquisition of certain Solid Energy assets via the Company's joint venture BT Mining (for further information see note 15).

10. Trade and other receivables

Trade receivables	3,926	3,264
Less: provision for impairment	(500)	(500)
Receivable from BT Mining	250	823
Other receivables and prepayments	227	612
Total trade and other receivables	**3,903**	**4,199**

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

11. Inventories

Raw materials and stores	424	857
Finished goods	742	1,010
Other	60	34
Total inventories	**1,226**	**1,901**

Notes to the Financial Statements

For the year ended 30 June 2018

12. Property, plant and equipment

Year ended 30 June 2018	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	**1,928**	**756**	**180**	**10,496**	**185**	**780**	**14,325**
Additions	400	40	5	4,447	172	640	5,704
Transfers	-	6	102	444	200	(752)	-
Depreciation	-	(110)	(21)	(2,180)	(120)	-	(2,431)
Assets held for sale and other disposals	-	(4)	-	(31)	(2)	(40)	(77)
Closing net book value	**2,328**	**688**	**266**	**13,176**	**435**	**628**	**17,521**
As at 30 June 2018							
Cost	15,785	5,977	2,796	27,954	2,603	12,752	67,867
Accumulated depreciation and impairment	(13,457)	(5,289)	(2,530)	(14,778)	(2,168)	(12,124)	(50,346)
Closing net book value	**2,328**	**688**	**266**	**13,176**	**435**	**628**	**17,521**
Year ended 30 June 2017							
Opening net book value	**1,970**	**796**	**347**	**8,598**	**219**	**18**	**11,948**
Additions	847	68	14	3,581	70	775	5,355
Transfers	-	-	-	13	-	(13)	-
Depreciation	(889)	(108)	(181)	(1,670)	(104)	-	(2,952)
Assets held for sale and other disposals	-	-	-	(26)	-	-	(26)
Closing net book value	**1,928**	**756**	**180**	**10,496**	**185**	**780**	**14,325**
As at 30 June 2017							
Cost	15,385	5,935	2,689	23,094	2,233	12,904	62,240
Accumulated depreciation and impairment	(13,457)	(5,179)	(2,509)	(12,598)	(2,048)	(12,124)	(47,915)
Closing net book value	**1,928**	**756**	**180**	**10,496**	**185**	**780**	**14,325**

12. 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:

	2018 $'000	2017 $'000
Cost	7,934	6,473
Accumulated depreciation	(2,094)	(1,232)
Net book value	**5,840**	**5,241**

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

Exploration and evaluation assets		
Opening balance	**2,022**	**1,245**
Expenditure capitalised	295	777
Impairment recognised	(630)	-
Transfer to mining licences and property assets	(1,375)	-
Total exploration and evaluation assets	**312**	**2,022**

Mining licences and property assets		
Opening balance	**18,592**	**18,882**
Expenditure capitalised	301	1,530
Transfer from exploration and evaluation assets	1,375	-
Amortisation	(2,426)	(7,680)
Impairment recognised	(1,000)	-
Abandonment provision movement	876	132
Waste moved in advance capitalised	8,277	5,728
Total mining licences and property assets	**25,995**	**18,592**
Total mining licences, property, exploration and evaluation assets	**26,307**	**20,614**

14. 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**	**2018 (%)**	**2017 (%)**
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
Bathurst Resources (Canada) Limited	Canada	Ordinary	100	-

All subsidiary companies have a balance date of 30 June, and are predominantly involved in the coal industry. All subsidiaries have a functional currency of New Zealand dollars except for BR Coal Pty Ltd (Australian dollars) and Bathurst Resources (Canada) Limited (Canadian dollars).

Bathurst Resources (Canada) Limited was incorporated in June 2018 and is the entity via which the Company invests in its new joint venture NWP Coal Canada Limited – for further information refer to note 30.

Notes to the Financial Statements

For the year ended 30 June 2018

15. Interest in joint venture

BT Mining Limited

(a) Balances held in BT Mining

	2018 $'000	2017 $'000
Loan to BT Mining	-	4,290
Equity investment	16,250	-
65% share of retained earnings net of dividends received	29,186	(775)
Total interest in BT Mining	**45,436**	**3,515**
Opening Balance	**3,515**	**-**
Increase in loan to BT Mining	21,044	4,290
Conversion of $16.25m from loan to equity investment (nil net movement)	-	-
Receipt of loan repayment	(9,084)	-
Receipt of dividend	(13,000)	-
65% share of profit/(loss)	42,961	(775)
Closing Balance	**45,436**	**3,515**

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

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

The Company's share of BT Mining's profit recognised at 30 June 2018 reflects 10 months of operations. The economic lock box arrangement that covered 1 July 2017 to 31 August 2017 was reflected in the final purchase price that BT Mining paid for the assets.

$16.25m of shareholder loans to BT Mining were converted to represent an equity investment in BT Mining through the issue of 16,250 shares. The remaining loan balance was paid back to Bathurst during the year.

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

For an unaudited proportionate consolidation presentation of Bathurst and BT Mining, refer to the Additional Information section of these Financial Statements, after the Notes to the Financial Statements.

15. Interest in joint venture (continued)

(b) BT Mining Balance Sheet

	2018 $'000	2017 $'000
Cash	7,780	415
Trade and other receivables	48,176	-
Inventories	35,348	-
New Zealand emission units	1,243	-
Current assets	**92,547**	**415**
Property, plant and equipment	41,454	1,207
Mining licences, properties, exploration and evaluation assets	27,273	-
Crown indemnity	53,399	-
Deferred tax asset	1,646	-
Deposit paid to Solid Energy	-	4,600
Non-current assets	**123,772**	**5,807**
TOTAL ASSETS	**216,319**	**6,222**
Trade and other payables	28,526	814
Tax payable	19,048	-
Derivative liabilities	3,348	-
Deferred consideration	11,900	-
Provisions	882	-
Current liabilities	**63,704**	**814**
Loans payable to shareholders	-	6,600
Provisions	67,614	-
Deferred consideration	15,100	-
Non-current liabilities	**82,714**	**6,600**
TOTAL LIABILITIES	**146,418**	**7,414**
NET ASSETS	**69,901**	**(1,192)**
Share capital	25,000	-
Retained earnings net of dividends paid	44,901	(1,192)
TOTAL EQUITY	**69,901**	**(1,192)**
Reconciliation to Bathurst's interest in BT Mining		
65% share of loans payable to shareholders	-	4,290
65% share of share capital	16,250	-
65% share of retained earnings net of dividends paid	29,186	(775)
Bathurst's interest in BT Mining	**45,436**	**3,515**

Bathurst Industrial Coal Limited

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

Notes to the Financial Statements

For the year ended 30 June 2018

16. Deferred tax

	2018 $'000	2017 $'000
The balance comprises temporary differences attributable to:		
Tax losses	13,819	14,621
Employee benefits	257	196
Provisions	803	1,322
Mining licenses	16,984	16,661
Exploration and evaluation expenditure	548	421
Property, plant and equipment	8,086	8,175
Total deferred tax assets	**40,497**	**41,396**
Waste moved in advance	(787)	(787)
Total deferred tax liabilities	**(787)**	**(787)**
Net deferred tax asset not recognised	(39,710)	(40,609)
Net deferred tax asset	**-**	**-**

The Group has not recognised a net deferred tax asset of $39.7m (2017: $40.6m) on the basis that it is not probable these losses will be utilised in the near future. Carried forward tax losses are only carried forward on the basis of meeting relevant shareholder continuity rules.

17. Trade and other payables

Current		
Trade payables	1,566	2,604
Accruals	1,703	1,849
Employee benefit payable	1,238	948
Other payables	306	626
Interest payable	922	1,650
	5,735	**7,677**
Non-current		
Other payables	-	143
Total trade and other payables	**5,735**	**7,820**

18. Borrowings

	Note		Restated
Current			
Secured			
Lease liabilities		1,654	1,582
Subordinated bonds		-	10,733
Bank borrowings backing property, plant and equipment purchases		241	-
Unsecured			
Redeemable convertible preference shares ("RCPS")	1 (y)	-	11,382
Total current borrowings		1,895	23,697

18. Borrowings (continued)

	Note	2018 $'000	Restated 2017 $'000
Non-current			
Secured			
Lease liabilities		3,714	3,531
Bank borrowings backing property, plant and equipment purchases		287	-
Subordinated bonds		11,689	-
Unsecured			
Convertible notes	1 (y)	12,193	6,809
Total non-current borrowings		**27,883**	**10,340**
Total borrowings		**29,778**	**34,037**

A summary of key details of the Company's debt instruments (excluding lease liabilities) at 30 June 2018 is as follows:

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

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

The RCPS were fully converted to shares at the election of the Company on 18 September 2017. The amortised cost of the host debt liability and fair value of the conversion option recorded as a derivative liability were transferred to Equity on this date. For further information refer to note 19 and 22.

Convertible Notes ("Notes")

Conversion

- July 2017 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 2018 issue - the Notes can be converted into ordinary shares at the election of the holder any time until ten days before maturity date.

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.

Modification

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

The fair value of the liability portion noted above was determined by discounting future cash flows including interest payments using a market interest rate for an equivalent non-convertible bond, with the difference in value on re-recognition booked to the Income Statement as fair value movements on borrowings. The fair value of the conversion option is included in Equity (refer note 22).

18. Borrowings (continued)

Subordinated Bonds

Redemption

The Company is entitled to elect early redemption at any time after the SPA becoming unconditional and after the 1 February 2019. If the Subordinated Bonds are redeemed early the Company must pay 104 percent of the issue price.

Ranking

The Subordinated bonds rank equally with existing and future bonds and without priority or preference amongst themselves. The Subordinated bonds are formally secured by the Company's share ownership in BT Mining.

19. Derivative Liabilities

	2018 $'000	Restated 2017 $'000
RCPS	-	162
Convertible notes	-	17,647
Total non-current derivative liabilities	**-**	**17,809**

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

As the RCPS were fully converted to shares, the derivative value on the date of conversion was transferred to Equity (refer note 22).

The change in denomination of the convertible notes qualified as a significant modification to the original contract terms. The instruments were derecognised and re-recognised under the new terms, with the fair value of the conversion option transferred to Equity (refer note 22).

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

20. Deferred consideration

	2018 $'000	2017 $'000
Current		
Acquisition of subsidiary deferred consideration	1,258	953
Non-current		
Acquisition of subsidiary deferred consideration	6,350	6,975
Total deferred consideration	**7,608**	**7,928**
Movement		
Opening balance	7,928	9,670
Unwinding of discount	673	786
Fair value adjustment	(102)	(1,749)
Consideration paid during the year	(891)	(779)
Closing balance	**7,608**	**7,928**

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

20. Deferred consideration (continued)

(a) Buller Coal Project

The Company acquired Buller Coal Limited (formerly 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.

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 29 (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. Sensitivity analysis on key inputs to the estimation of the deferrred consideration liability are as follows:

		2018 Increase in estimate $'m	2018 Decrease in estimate $'m
Key input	**Change in input**		
Discount rate	Decrease/increase by 2%	(0.1)	0.1
Production levels	Increase/decrease by 5%	(0.1)	0.1
Coal prices	Non-applicable as set at fixed rate per tonne		

(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 8.85% (2017: 8.98%), projected production profile, and forecast domestic coal prices. These are based on the Group's forecasts which are approved by the Board of Directors. Sensitivity analysis on key inputs to the estimation of the deferrred consideration liability are as follows:

Key input	Change in input	$'m	$'m
Discount rate	Decrease/increase by 2%	(0.5)	0.5
Production levels	Increase/decrease in reserves by 5%	(0.3)	0.3
Coal prices	Increase/decrease by $5 per tonne	(0.3)	0.3

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).

Notes to the Financial Statements

For the year ended 30 June 2018

21. Provisions

	2018 $'000	2017 $'000
Current		
Rehabilitation	1,160	1,111
	1,160	**1,111**
Non-current		
Rehabilitation	4,768	2,874
Total provisions	**5,928**	**3,985**
Rehabilitation provision movement:		
Opening balance	3,985	3,714
Change recognised in the mining and property asset	905	(132)
Unwinding of discount	255	210
Recognition of provision and corresponding Crown indemnity	351	-
Other changes recognised in the income statement	432	193
Closing balance total rehabilitation provision	**5,928**	**3,985**

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 discount rate assumptions would not have a material impact on the provision.

During the year the Sullivan mine permit was acquired. This permit abuts the Escarpment mine site. The Crown fully indemnified any rehab costs that relate to pre-acquisition.

22. Equity

(a) Contributed equity – ordinary fully paid shares	2018 Number of shares 000s	2017 Number of shares 000s
Opening balance	986,028	964,483
Issue of shares from conversion of RCPS	513,818	-
Issue of shares from conversion of convertible notes	13,318	21,545
Closing balance	**1,513,164**	**986,028**

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.

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

Also during the year, 293 notes of the July 2016 issue of convertible notes were converted to shares at the option of the note holder, at AUD $1,000 per note at 2.2 cents per share (June 2017: 474 notes).

22. Equity (continued)

(b) Contributed equity – value of issued equity	**2018 $'000**	**Restated 2017 $'000**
Opening balance	249,092	247,378
Issue of shares from conversion of RCPS	12,105	-
Issue of shares from conversion of convertible notes net of issue costs	1,982	1,714
Closing balance	**263,179**	**249,092**

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

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

The option to convert the convertible notes into shares is accounted for as equity at 30 June 2018 (refer note 1 Y for further information) measured at fair value.

For the fair value valuation methodology of the conversion options transferred to equity on conversion of the notes, and included in debt instruments – equity component, refer to note 18.

23. Reserves

	2018 $'000	**2017 $'000**
Share-based payment reserve	1,072	278
Foreign exchange translation reserve	(149)	(154)
Reorganisation reserve	(32,760)	(32,760)
Total reserves	**(31,837)**	**(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.

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 28 June 2013. A reorganisation reserve was created, which reflects the previous retained losses of subsidiaries.

24. Earnings per share

(a) Earnings per share ("EPS") attributable to ordinary equity holders	2018 Cents	2017 Cents
Basic EPS	0.40	(1.60)
Diluted EPS	0.40	(1.60)

(b) Reconciliation of earnings used in calculation	$'000	$'000
Earnings from continued operations	5,548	(15,667)
Earnings used in calculation of basic and diluted EPS	**5,548**	**(15,667)**

(c) Weighted average number of shares used as denominator	Number of shares 000s	Number of shares 000s
Weighted average number of shares	1,399,047	977,645
Used in calculation of basic and diluted EPS	**1,399,047**	**977,645**

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

25. Share-based payments

(a) 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 AGM.

(b) Completion performance rights

Completion performance rights were issued to executive directors in recognition of the completion of the sale and purchase agreement for the acquisition of certain assets from Solid Energy, and the close and transition of those assets. These form part of the Group's overall retention strategy, and recognises their instrumental roles in relation to the successful completion of the acquisition. These were approved by Shareholders at the 2017 AGM.

(c) Retention performance rights

Retention performance rights were issued to senior executives in recognition of the successful close and transition of certain assets from Solid Energy to the Company. These form part of the Group's overall retention strategy and were approved by the Board.

(d) Key details of performance rights

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.

The fair value of these rights was assessed as equal to the market value of the Company's share price at grant date.

25. Share-based payments (continued)

Grant date	Vesting date	Opening balance 000s	Issued 000s	Expired/ forfeited 000s	Closing balance 000s	Exercisable 000s
Transaction Performance Rights						
6 February 17	31 December 18	11,500	-	-	11,500	-
Completion performance rights						
21 December 17	31 December 18	-	1,981	-	1,981	-
Retention performance rights						
3 April 18	31 December 18	-	3,400	(750)	2,650	-
		11,500	**5,381**	**(750)**	**16,131**	**-**

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

	2018 $'000	2017 $'000
Profit/(loss) before income tax	5,548	(15,667)
Dividend received from BT Mining	13,000	-
Non-cash items:		
Unrealised FX movements	1,767	(431)
Depreciation and amortisation expense	4,885	10,632
Share of (profit)/loss of BT Mining	(42,961)	775
Rehab provision movement and discount unwinds	741	184
Fair value movements on derivatives	27,687	12,530
Fair value movements on borrowings	4,434	-
Unwinding of discount rate and fair value adjustment on deferred consideration	571	(963)
Share-based payment expense	794	226
Impairment	1,630	-
Other	75	18
Non-operating items:		
Loss/(gain) on sale of property, plant and equipment	21	(110)
Interest on debt instruments	3,396	1,325
Realised foreign exchange gain on borrowing activities	-	(357)
Other	111	106
Movement in working capital	(491)	895
Cash flow from operating activities	**21,208**	**9,163**

Notes to the Financial Statements

For the year ended 30 June 2018

27. 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 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	2018 +3% $'000	2017 +3% $'000	2018 -3% $'000	2017 -3% $'000
Subordinated Bonds	USD	341	314	(362)	(334)

The above assessment is estimated based on future foreign exchange movements similar to historical rate movements for the two years to 30 June 18, 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.

27. Financial risk management (continued)

(c) Liquidity risk continued

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

30 June 2018	Less than 6 months $'000	6 - 12 months $'000	Between 1 – 2 years $'000	Between 2 – 5 years $'000	Over 5 years $'000	Total $'000
Trade and other payables	5,803	-	-	-	-	5,803
Borrowings[2]	1,100	1,082	17,130	9,033	-	28,345
Finance leases[3]	1,057	1,057	2,345	1,906	-	6,365
Deferred consideration	636	636	1,226	3,775	4,786	11,059
Total	**8,596**	**2,775**	**20,701**	**14,714**	**4,786**	**51,572**
30 June 2017						
Trade and other payables	7,677	-	143	-	-	7,820
Borrowings	1,886	13,390	2,027	25,142	-	42,445
Finance leases	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**

(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. There were no changes to the Company's approach to capital management during the year.

(e) Financial instruments by category

	2018 $'000	2017 $'000
Financial Assets		
Loans and receivables		
Cash and cash equivalents	20,179	28,892
Restricted short-term deposits	4,037	3,808
Trade and other receivables	3,903	4,032
Loans to related parties	-	3,721
Other financial assets	139	134
Total	**28,258**	**40,587**

[2] Borrowings in this context represent the underlying contractual commitments on the USD denominated Subordinated Bonds and NZD convertible notes. The 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.

27. Financial risk management (continued)

(e) Financial risks by category continued

	2018 $'000	2017 $'000
Financial Liabilities		
Amortised Cost		
Trade and other payables	5,803	7,820
Borrowings	29,778	34,037
Fair Value		
Deferred consideration	7,608	7,928
Derivative liabilities	-	17,809
Total	**43,189**	**67,594**

(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 ongoing 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 20.

Debt instruments in note 18 are carried at amortised cost. Their fair values have been measured at a fair value hierarchy of level 2 as noted below:

	2018		2017	
Instrument	**Fair Value $'000**	**Carrying Value $'000**	**Fair Value $'000**	**Carrying Value $'000**
Subordinated Bonds	12,175	11,689	10,812	10,733
Convertible Notes	12,652	12,193	10,413	10,428

All other assets and liabilities (except where specifically noted) have a carrying value that is equivalent to fair value.

28. Key management personnel

Key management personnel are the senior leadership team and directors (executive and non-executive) of the Group.

Key management personnel compensation

30 June 2018	Short-term benefits $'000	Share-based payments $'000	Total $'000
Management	2,172	684	2,856
Directors	196	110	306
Total	**2,368**	**794**	**3,162**
30 June 2017			
Management	2,032	82	2,114
Directors	247	144	391
Total	**2,279**	**226**	**2,505**

29. Commitments and contingent liabilities

(a) Capital commitments

There was no capital expenditure contracted for at the reporting date but not recognised as a liability (2017: Nil).

(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 five years. The leases have varying terms, escalation clauses and renewal rights. Commitments for non-cancellable minimum lease payments are payable as follows:

Lease commitments	2018 $'000	2017 $'000
Within one year	287	123
Later than one year but not later than five years	608	40
Total lease commitments	**895**	**163**

(ii) Finance leases

The Group leases various plant and equipment expiring within one to five years. Refer to note 27 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.

Notes to the Financial Statements

For the year ended 30 June 2018

29. Commitments and contingent liabilities (continued)

(d) Contingent assets and liabilities

On 23 December 2016 the Company announced that L&M Coal Holdings Limited 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 20. On 20 August 2018 the Company advised that it received an unfavourable judgment from the High Court on this matter.

The Court held that the first performance payment had been triggered as royalties were not being paid on a reasonable level (undefined by the Court) of production. The Company has lodged an appeal to the Court of Appeal against this decision and is also seeking a stay of execution of the judgement. The Company believes that it is more likely than not that it will be successful in the Court of Appeal.

30. Events after the reporting period

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

(a) New joint venture with Jameson Resources Limited

On the 12 July 2018 the Company publicly announced the close of a new joint venture deal with Jameson Resources Limited (ASX:JAL). The deal represents an eight percent equity investment in Jameson's previously wholly owned Canadian subsidiary, NWP Coal Canada Limited ("NWP") and investment in NWP's key asset, the Crown Mountain Coking Coal project.

On this same date, the Company made its first capital investment in NWP of CAD $4.0m. These funds are being used to fund the 2018 summer exploration programme. Up to the date of releasing these financial statements, the Company has made a further CAD $832k investment in NWP in exchange for preference shares. These payments are being used to fund the bankable feasibility study and other operating needs. Once a further CAD $7.5m investment has been reached, the preference shares will be converted to normal equity shares of NWP.

The Company considers NWP to be a joint venture with Jameson. This is because unanimous approval is required on activities that significantly affect NWP's operations. As such NWP will be accounted for using the equity method in the 31 December 2018 financial statements.

(b) Share buybacks

The Board approved an on-market share buyback on the 27 August 2018, as part of the Company's ongoing capital management strategy. Up to 75m ordinary shares will be bought back in the scheme, over a 12-month period beginning 28 August 2018.

Additional Information

For the year ended 30 June 2018

Unaudited proportionate consolidation presentation of Bathurst and BT Mining Operations

The below Income Statement, Balance Sheet and Cash flow represent 100% of Bathurst operations, and 65% of BT Mining operations. This presentation does not reflect reporting under NZ GAAP or NZ IFRS, but is intended to show a combined operating view of the two businesses for information purposes only.

Prior period comparatives are not provided, as BT Mining only began operating on 1 September 2017.

Consolidated Income Statement

	2018 $'000
Revenue	237,083
Less: cost of sales	(133,981)
Gross profit	**103,102**
Other income	1,486
Depreciation	(6,545)
Administrative and other expenses	(17,855)
Fair value loss on deferred consideration	(5,684)
Gain on disposal of fixed assets	71
Impairment losses	(1,630)
Operating profit before tax	**72,945**
Fair value movement on derivatives	(27,687)
Fair value movement on borrowings	(4,434)
Finance cost	(12,699)
Finance income	356
Profit before income tax	**28,481**
Income tax expense	(22,933)
Total profit after tax	**5,548**

Additional Information

For the year ended 30 June 2018

Consolidated Balance Sheet	2018 $'000
ASSETS	
Current assets	
Cash and cash equivalents	25,236
Restricted short-term deposits	4,037
Trade and other receivables	35,217
Inventories	24,203
New Zealand emission units	1,204
Other financial assets	25
Total current assets	**89,922**
Non-current assets	
Property, plant and equipment	44,466
Mining licences, properties, exploration and evaluation assets	44,034
Crown indemnity	35,060
Deferred tax asset	1,070
Other financial assets	114
Total non-current assets	**124,744**
TOTAL ASSETS	**214,666**
LIABILITIES	
Current liabilities	
Trade and other payables	24,277
Tax payable	12,381
Derivative liabilities	2,176
Borrowings	1,895
Deferred consideration	8,993
Provisions	1,733
Total current liabilities	**51,455**
Non-current liabilities	
Borrowings	27,883
Deferred consideration	16,165
Provisions	48,717
Total non-current liabilities	**92,765**
TOTAL LIABILITIES	**144,220**
NET ASSETS	**70,446**
EQUITY	
Contributed equity	263,179
Debt instruments – equity component	43,788
Reserves	(31,837)
Accumulated losses	(204,684)
TOTAL EQUITY	**70,446**

Consolidated Cash Flow	**2018 $'000**
Cash flows from operating activities	
Receipts from customers	209,945
Payments to suppliers and employees	(143,755)
Taxes paid	(11,621)
Net cash inflow from operating activities	**54,569**
Cash flows from investing activities	
Exploration and consenting expenditure	(337)
Mining assets (including elevated stripping)	(21,696)
Property, plant and equipment purchases	(30,666)
Proceeds from disposal of property, plant and equipment	92
Restricted deposits	(230)
Payment of deferred consideration	(5,159)
BT Mining repayment of opening loan balance to the Company	4,290
Other	59
Net cash outflow from investing activities	**(53,647)**
Cash flows from financing activities	
Proceeds from borrowings	20,070
Repayment of borrowings	(21,578)
Interest on debt instruments	(3,036)
Interest received	402
Interest paid	(555)
Finance facility fees	(150)
Net cash outflow from financing activities	**(4,847)**
Net decrease in cash and cash equivalents	**(3,926)**
Cash and cash equivalents at the beginning of the year	29,162
Cash and cash equivalents at the end of the year	**25,236**

KPMG

Independent Auditor's Report

To the shareholders of Bathurst Resources Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Bathurst Resources Limited (the company) and its subsidiaries (the group) on pages 45 to 80:

i. present fairly in all material respects the Group's balance sheet as at 30 June 2018 and its financial performance and cash flows for the year ended on that date; and

ii. Comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated balance sheet as at 30 June 2018;

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners 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 and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Scoping

The scope of our audit is designed to ensure that we perform adequate work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the financial reporting systems, processes and controls, and the industry in which it operates.

The context for our audit is set by the group's major activities in the financial year ended 30 June 2018. In August 2017 the Group completed through its material equity accounted joint venture the acquisition of certain Solid Energy New Zealand mining assets. The consolidated financial statements includes the material equity accounted profit share for the period which is significant to the Group as a whole and was a focus of our audit for the year ended 30 June 2018.

KPMG

Emphasis of matter – prior year restatement

We draw attention to note 1(Y) in the consolidated financial statements. Management restated the prior year financial statements where the conversion feature of the convertible notes was treated as equity instead of a derivative liability, to adopt the treatment as defined by IFRIC Update April 2005. As part of our audit of the 30 June 2018 financial statements audit, we audited the adjustments described in note 1(Y) that were applied to amend the 30 June 2017 financial statements.

In our opinion, such adjustments are appropriate and have been properly applied. Our opinion is not modified in respect of this matter.

Emphasis of matter – contingent liabilities

We draw attention to note 29(d) in the consolidated financial statements which discloses the unfavorable judgement received in relation to legal proceedings in the High Court of New Zealand filed by L&M Coal Holdings Limited. The company has lodged an appeal to the Court of Appeal against the decision and is also seeking a stay of execution of the judgement.

No liability has been recognised as at 30 June 2018 based on legal advice that it is more likely than not that the company will be successful in the Court of Appeal. Our opinion is not modified in respect of this matter.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $2,400,000 determined with reference to a benchmark of group's profit before tax from continuing operations, adjusted for financial instrument fair value movements and interest costs. We chose the benchmark because, in our view, this is a key measure of the group's performance

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Deferred considerations	
Refer to note 20 to the Financial Report. The fair value of the deferred consideration in respect of previous mine acquisitions was $7.6 million at 30 June 2018. The equity accounted joint venture BT Mining Limited includes deferred consideration of $27 million. Significant judgment is applied by in relation to key inputs into the discounted cash flow models (models) to estimate the fair value of deferred consideration. Key inputs include estimated coal production level, future coal prices, the timing of cash flows and a discount rate 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 and the sensitivities to be disclosed.	Our audit procedures over Management's calculation of its estimate of the future deferred consideration payable included the following: — Sighting the sale and purchase agreements and agreeing the terms of the deferred consideration obligations related to each mine. — Testing the mathematical accuracy of the models used by Management to calculate the estimated future deferred consideration payable. — Comparing the forecasted coal production to operational data and reserve estimates prepared by the Company's internal reserve engineering experts. — Assessing Management's production forecasting accuracy by comparing forecasts to actual results. — Comparing the forecasted coal price assumption with current prices charged to the Company's largest customers and a growth rate based on historic achieved growth rates and external forecast coal prices. — Performing sensitivity analysis on the key estimates and assumptions including the risk adjusted discount rate, forecast coal price and estimated production. — Assessing whether the Group's disclosures in relation to deferred consideration and the sensitivities of key assumptions were appropriate in the financial statements.
Modification of convertible notes	

Refer to note 1(Y) to the Financial Report.
 	
On 31 December 2017 the terms of the convertible notes were modified so that they were denominated in NZD and would convert to a fixed number of shares.
 	
The modification means the conversion feature of the convertible notes is no longer classified as a derivative liability but as a component of equity.
 	
This was an area of audit focus because of the complexity in calculating the fair value on de-recognition and subsequent recognition, and the significant impact the modification has on the financial statements.
	As part of our audit procedures we obtained the modified convertible note agreements and reviewed the fair value adjustments recorded by Management to derecognise the existing derivative liability and recognise the fair value of the new equity component.
	
	In particular our audit procedures focused on;
	
	— Agreeing the terms of the modifed convertaible notes to underlying agreements.
	
	— Using our valuation specialists to assist in;
	
	    — assessing whether the modifed terms were considered a signifcant modifcation that required the derecognition of the existing derivative liability;
	
	    — asssessing whether the modifed terms meant that the conversion feature of the convertiable notes was approriatley classifed as an equity component; and

The key audit matter	How the matter was addressed in our audit
	— independently recalculating the fair value of the convertible notes derecongised on modification and the related fair value of the equity component recognsied on modifictaion.
Acquisition of assets by the equity accounted investment	
Refer to note 15 to the Financial Report. The acquisition of the Solid Energy New Zealand mining assets and mining permits occurred on 31 August 2017. Judgment was exercised by management in estimating the fair value of the mining assets and permits acquired by BT Mining, a jointly controlled and equity accounted entity in the consolidated financial statements. This was an area of audit focus because of the significant judgements applied by management.	As part of our audit procedures over the acquisition by BT Mining of certain assets from Solid Energy New Zealand Limited we obtained key transaction documents, assessed the date of acquisition and reviewed the fair value estimates of the assets and liabilities acquired. In particular our audit procedures focussed on significant judgements made by directors, including; — Validating that the substantive conditions that existed within the sale and purchase agreements were appropriately satisfied and control was effective on 31 August 2017; — Using our valuation specialists, reviewing the key assumptions set out in the external advisors report that supported the fair value of the assets and liabilities acquired.

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information includes the Chairman's and Chief Executive's report and operational and financial reviews. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Directors.

Other matter

The consolidated financial statements of the group, for the year ended 30 June 2017, were audited by another auditor who expressed a qualified opinion on those statements on 31 August 2017.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent 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 shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

KPMG

Responsibilities of the Directors for the consolidated financial statements

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

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent 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 will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

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

For and on behalf of

KPMG

KPMG
Wellington

27 August 2018


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03

Shareholder information

In this section

Shareholder information

Additional information required by the Australian Securities Exchange (ASX) and not shown elsewhere in the Annual Report, current as at 28 September 2018, 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	1,595,952,455	3,437
Unquoted	Convertible notes of NZD $1,150, converting to 45,455 shares per note, maturing 22 July 2019	2,483	2
	Convertible notes of NZD $1,150, converting to 26,667 shares per note, maturing 1 February 2021	6,100	9
	Transaction performance rights exercisable at $nil up to 31 March 2019	11,500,000	4
	Completion performance rights exercisable at $nil up to 31 March 2019	1,980,559	2
	Retention performance rights exercisable at $nil up to 31 March 2019	2,650,000	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.
- 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 buybacks

An on-market share buyback was announced on 28 August 2018. The buyback will be for up to a maximum of 75 million shares, representing approximately 4.70 percent of the ordinary shares on issue at that date. The buyback will run for a period of 12 months. No shares have been bought back as at 28 September 2018.

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	335	51,398
1,001 – 5,000	587	1,558,684
5,001 – 10,000	428	2,839,217
10,001 – 100,000	1,445	45,145,100
100,001 and over	642	1,546,358,056
TOTAL	**3,437**	**1,595,952,455**

There are 893 shareholders holding less than a marketable parcel of ordinary shares as determined by the ASX (A$500) based on the closing price of A$0.11 per share on 28 September 2018.

Substantial holders

Holders of 5 percent or more ordinary shares as disclosed in substantial holding notices given to the Company as of 28 September 2018:

	Number held	Percentage of issued shares
Republic Investment Management Pte Limited	317,414,951	**19.89%**
Asian Dragon Acquisitions Limited	151,611,069	**10.02%**
Chng Seng Chye	106,561,841	**6.68%**

At the special meeting of shareholders held on 23 June 2016, the shareholders approved the issue of up to 90,909,091 shares to Republic Investment Management ("RIM") upon conversion of the convertible notes described in the notice of meeting ("July 2016 Notes"). Pursuant to this approval, on 22 July 2016, RIM was issued with 2,150 July 2016 Notes, of which 293 have subsequently converted to shares.

RIM still holds 1,857 July 2016 Notes which, if converted, will convert into 84,409,091 ordinary shares. This would give RIM a maximum holding of 24.0 percent of the voting rights, based on the current issued shares.

Corporate governance statement

The Corporate Governance Statement is available on the Company's website at ***www.bathurst.co.nz***

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	624,427,161	39.13
2.	CITICORP NOMINEES PTY LIMITED	105,472,291	6.61
3.	CHNG SENG CHYE	91,878,788	5.76
4.	JP MORGAN NOMINEES AUSTRALIA LIMITED	51,937,471	3.25
5.	TH INVESTMENTS PTE LIMITED	45,454,545	2.85
6.	TEO PENG KWANG	38,932,124	2.44
7.	BERNE NO 132 NOMINEES PTY LTD <608725 A/C>	27,888,773	1.75
8.	ARMADA TRADING PTY LTD	24,114,272	1.51
9.	ANG POON LIAT	22,002,727	1.38
10.	JOHN MCCALLUM	20,392,966	1.28
11.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	19,689,309	1.23
12.	KARAMJIT SINGH NARULA	18,181,818	1.14
13.	NATIONAL NOMINEES LIMITED	17,607,563	1.10
14.	FORSYTH BARR CUSTODIANS LIMITED <FORSYTH BARR LTD-NOMINEE A/C>	17,384,817	1.09
15.	BNP PARIBAS NOMS PTY LTD <DRP>	15,240,020	0.95
16.	NATIONAL NOMINEES LIMITED <DB A/C>	13,259,045	0.83
17.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	11,363,636	0.71
18.	ROBERT JAMES GRIFFITHS + JEAN DARLING GRIFFITHS	10,900,000	0.68
19.	RICHARD TACON	9,687,960	0.61
20.	CHOW SHOOK LIN	9,090,909	0.57
Total top 20 shareholders		**1,194,906,195**	**74.87**
Total remaining shareholders		**401,046,260**	**25.13**

04
Resources and reserves

In this section

Tenement schedule

At 30 June 2018

Permit Id	Location (Region)	Minerals	Permit Type	Permit Operator	Bathurst Interest
60194	Canterbury	Coal	Exploration Permit	Bathurst Coal Limited	100%
60146	Waikato	Coal	Exploration Permit	BT Mining Limited	65%
60047	West Coast	Coal	Exploration Permit	Bathurst Coal Limited	100%
56233	West Coast	Coal	Mining Permit	Buller Coal Limited	100%
56220	Waikato	Coal	Exploration Permit	BT Mining Limited	65%
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%
52937	West Coast	Coal	Mining Permit	BT Mining Limited	65%
51279	West Coast	Coal	Mining Permit	Buller Coal Limited	100%
51260	Southland	Coal	Exploration Permit	Bathurst Coal Limited	100%
41821	Waikato	Coal	Mining Permit	BT Mining Limited	65%
41810	West Coast	Coal	Mining Permit	BT Mining Limited	65%
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%
40698	Waikato	Coal	Exploration Permit	BT Mining Limited	65%
40628	West Coast	Coal	Exploration Permit	Buller Coal Limited	100%
40625	Southland	Coal	Exploration Permit	New Brighton Collieries Limited	100%

Permit Id	Location (Region)	Minerals	Permit Type	Permit Operator	Bathurst Interest
40591	West Coast	Coal	Exploration Permit	Bathurst Coal Limited	100%
37161	West Coast	Coal	Ancillary Coal Mining Licence	Bathurst Coal Limited	100%
3716101	West Coast	Coal	Ancillary Coal Mining Licence	Bathurst Coal Limited	100%
3716102	West Coast	Coal	Ancillary Coal Mining Licence	Bathurst Coal Limited	100%
3716103	West Coast	Coal	Ancillary Coal Mining Licence	Bathurst Coal Limited	100%
3716104	West Coast	Coal	Ancillary Coal Mining Licence	Bathurst Coal Limited	100%
37155	Waikato	Coal	Coal Mining Licence	BT Mining Limited	65%
3715501	Waikato	Coal	Ancillary Coal Mining Licence	BT Mining Limited	65%
37153	Waikato	Coal	Coal Mining Licence	BT Mining Limited	65%
3715301	Waikato	Coal	Ancillary Coal Mining Licence	BT Mining Limited	65%
37150	West Coast	Coal	Coal Mining Licence	BT Mining Limited	65%
3715002	West Coast	Coal	Ancillary Coal Mining Licence	BT Mining Limited	65%
3715003	West Coast	Coal	Ancillary Coal Mining Licence	BT Mining Limited	65%

Bathurst Resources permitting changes 1 July 2017 – 30 June 2018

Permit applications in past 12 months

Permit Id	Permit Type	Operator	Location (Region)	Applied Date	Permit Name	Bathurst Interest
60400	Mining Permit	New Brighton Collieries Limited	Southland	01.09.2017	New Brighton	100%
60422	Mining Permit	BT Mining Limited	Waikato	06.11.2017	Awaroa West	65%
54846	Exploration Permit – Extension of Duration Application	Bathurst Coal Limited	Canterbury	29.11.2017	Albury	100%
40698	Exploration Permit – Extension of Duration Application	BT Mining Limited	Waikato	08.05.2018	Ruawaro	65%

Permits granted in past 12 months

None

Full Surrender

Permit Id	Permit Type	Operator	Location (Region)	Permit Name	Bathurst Interest
57205	Exploration Permit	Bathurst Coal Limited	West Coast	Caroline Terrace	100%

Expired

Permit Id	Permit Type	Operator	Location (Region)	Permit Name	Bathurst Interest
56927	Prospecting Permit	Bathurst Coal Limited	Southland	Ohai Metals	100%

Coal resources and reserves

Resources

Table 1 – Resource tonnes

Area	Bathurst Mineral Ownership	2018 Measured Resource (Mt)	2017 Measured Resource (Mt)	Change (Mt)	2018 Indicated Resource (Mt)	2017 Indicated Resource (Mt)	Change (Mt)	2018 Inferred Resource (Mt)	2017 Inferred Resource (Mt)	Change (Mt)	2018 Total Resource (Mt)	2017 Total Resource (Mt)	Change (Mt)
Escarpment (1 & 9)	100%	3.4	3.1	0.3	2.2	2.1	0.1	1.1	1.0	0.1	6.7	6.2	0.5
Cascade (1)	100%	0.5	0.5	0.0	0.6	0.6	0.0	0.3	0.3	0.0	1.4	1.4	0.0
Deep Creek (1 & 3)	100%	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 (1 & 9)	100%	0.0	0.0	0.0	3.4	3.8	(0.4)	4.7	5.4	(0.7)	8.1	9.2	(1.1)
Whareatea West (1 & 9)	100%	7.9	7.6	0.3	11.2	10.8	0.4	4.8	4.9	(0.1)	23.9	23.3	0.6
Sullivan (9)	100%	2.7	0.0	2.7	5.1	0.0	5.1	4.1	0.0	4.1	11.9	0.0	11.9
South Buller Totals (7)	**100%**	**20.7**	**17.4**	**3.3**	**25.6**	**20.4**	**5.2**	**16.6**	**13.2**	**3.4**	**62.9**	**51.0**	**11.9**
Stockton (2, 5 & 6)	65%	0.9	1.0	(0.1)	10.2	11.0	(0.8)	7.5	7.5	0.0	18.6	19.4	(0.8)
Upper Waimangaroa (Met) (2, 5 & 6)	65%	0.5	0.6	(0.1)	13.2	13.8	(0.6)	33.4	33.9	(0.5)	47.1	48.3	(1.2)
Upper Waimangaroa (Thermal) (2, 5 & 6)	65%	0.1	0.0	0.1	1.0	0.6	0.4	1.4	0.9	0.5	2.5	1.5	1.0
Stockton Totals	**65%**	**1.5**	**1.6**	**(0.1)**	**24.4**	**25.4**	**(1.0)**	**42.3**	**42.3**	**0.0**	**68.2**	**69.2**	**(1.0)**

Resources (continued)

Table 1 – Resource tonnes continued

Area	Bathurst Mineral Ownership	2018 Measured Resource (Mt)	2017 Measured Resource (Mt)	Change (Mt)	2018 Indicated Resource (Mt)	2017 Indicated Resource (Mt)	Change (Mt)	2018 Inferred Resource (Mt)	2017 Inferred Resource (Mt)	Change (Mt)	2018 Total Resource (Mt)	2017 Total Resource (Mt)	Change (Mt)
Millerton North (1 & 3)	100%	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	100%	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 (1 & 3)	100%	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 (7)	**100%**	**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		**24.6**	**21.4**	**3.2**	**65.0**	**60.8**	**4.2**	**87.5**	**84.1**	**3.4**	**177.1**	**166.2**	**10.9**
Takitimu (1 & 4)	100%	0.9	0.9	0.0	1.6	2.0	(0.4)	0.2	0.5	(0.3)	2.7	3.4	(0.7)
New Brighton (1)	100%	0.2	0.2	0.0	0.4	0.4	0.0	1.3	1.3	0.0	1.9	1.9	0.0
Albury (1 & 10)	100%	0.0	0.0	0.0	0.7	0.0	0.7	0.1	0.0	0.1	0.8	0.0	0.8
Canterbury Coal (1 & 4)	100%	1.4	1.2	0.2	2.5	2.5	0.0	3.2	3.4	(0.2)	7.1	7.1	0.0
Southland/ Canterbury Totals (7)	**100%**	**2.5**	**2.3**	**0.2**	**5.2**	**4.9**	**0.3**	**4.8**	**5.2**	**(0.4)**	**12.5**	**12.4**	**0.1**
Rotowaro (2, 4 & 6)	65%	2.4	2.8	(0.4)	5.0	5.1	(0.1)	1.5	1.8	(0.3)	8.9	9.7	(0.8)
Maramarua (2, 6 & 8)	65%	1.7	4.7	(3.0)	1.5	0.8	0.7	0.0	0.0	0.0	3.2	5.5	(2.3)
North Island Totals	**65%**	**4.1**	**7.5**	**(3.4)**	**6.5**	**5.9**	**0.6**	**1.5**	**1.8**	**(0.3)**	**12.1**	**15.2**	**(3.1)**
Total		**31.2**	**31.2**	**0.0**	**76.7**	**71.6**	**5.1**	**93.8**	**91.1**	**2.7**	**201.7**	**193.8**	**7.9**

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").

The Measured and Indicated Mineral Resources are inclusive of those Mineral Reserves modified to produce the Ore Reserves. Rounding of tonnes as required by reporting guidelines may result in summation differences between tonnes and coal quality. All resources quoted are reported as of 30 June 2018.

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

[2] Stockton, Upper Waimangaroa and Maramarua density values are based on air-dried ash density regressions. Stockton, Upper Waimangaroa, Rotowaro and Maramarua are reported on an air-dried basis.

[3] No additional work has been undertaken on the coal resources for Deep Creek, Millerton North and Blackburn 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.

[4] Rotowaro, Canterbury Coal and Takitimu changes are due to an updated geology model and mining depletion.

Table 1 – Resource tonnes continued

[5] *Resources were depleted by mining.*

[6] *Stockton, Upper Waimangaroa, Rotowaro and Maramarua are owned by BT Mining Limited.*

[7] *South Buller, North Buller, Sullivan, Southland and Canterbury Resources are 100 percent Bathurst Resources Limited ownership.*

[8] *Significant updates to geological model and review and update of the resource shell geotechnical parameters.*

[9] *Updated geology model with significant new data provided with the purchase of the Sullivan Licence. Sullivan is a new resource following the purchase of the mining licence from Solid Energy.*

[10] *New resource.*

Table 2 – Average coal quality – measured

Area	Bathurst Mineral Ownership	Measured Resource (Mt)	Ash% (AD)	Sulphur % (AD)	Volatile Matter % (AD)	Fixed Carbon % (AD)	CSN	Inherent Moisture	In Situ Moisture	Calorific Value (AD)
Escarpment	100%	3.4	16.8	0.7	33.0	49.3	7.0	1.0	5.6	28.6
Cascade	100%	0.5	15.5	1.7	39.3	42.6	4.5	2.6	7.6	30.8
Deep Creek	100%	6.2	11.0	2.5	32.9	53.9	-	2.2	5.2	29.7
Coalbrookdale	100%	0.0	-	-	-	-	-	-	-	-
Whareatea West	100%	7.9	24.9	0.8	24.0	50.4	7.0	0.6	6.3	26.5
Sullivan	100%	2.7	13.8	1.1	32.1	52.9	7.0	1.2	6.6	29.7
Stockton	65%	0.9	7.9	2.4	31.6	59.5	7.8	1.0	-	32.6
Upper Waimangaroa (Met)	65%	0.5	3.0	1.1	39.0	53.4	4.0	4.6	-	28.6
Upper Waimangaroa (Thermal)	65%	0.1	11.5	1.2	36.0	47.9	3.5	4.5	-	26.0
Millerton North	100%	0.0	-	-	-	-	-	-	-	-
North Buller	100%	2.4	8.6	4.7	43.1	45.4	4.5	2.9	11.4	29.7
Blackburn	100%	0.0	-	-	-	-	-	-	-	-
Takitimu	100%	0.9	11.2	0.3	36.9	36.6	N/A	15.3	25.1	21.3
New Brighton	100%	0.2	10.7	0.4	35.9	39.1	N/A	14.3	21	22.7
Albury	100%	0.0	-	-	-	-	-	-	-	-
Canterbury Coal	100%	1.4	9.7	0.9	34.6	39.1	N/A	16.8	25.7	22.6
Rotowaro	65%	2.4	5.8	0.3	44.0	36.3	N/A	13.9	-	25.5
Maramarua	65%	1.7	5.2	0.2	37.8	38.4	N/A	18.6	-	22.5

Resources (continued)

Table 3 – Average coal quality – indicated

Area	Bathurst Mineral Ownership	Indicated Resource (Mt)	Ash% (AD)	Sulphur % (AD)	Volatile Matter % (AD)	Fixed Carbon % (AD)	CSN	Inherent Moisture	In Situ Moisture	Calorific Value (AD)
Escarpment	100%	2.2	12.6	1.2	34.9	51.4	7.5	1.2	5.5	30.0
Cascade	100%	0.6	14.8	1.8	38.3	44.5	4.0	2.4	8.0	29.3
Deep Creek	100%	3.1	9.7	2.7	34.7	53.6	-	2.0	4.8	30.3
Coalbrookdale	100%	3.4	12.0	1.8	35.9	50.4	5.0	1.7	5.6	29.8
Whareatea West	100%	11.2	28.5	1.1	22.3	48.5	6.0	0.7	6.3	25.0
Sullivan	100%	5.1	15.3	1.2	30.6	53.0	7.0	1.2	6.6	29.3
Stockton	65%	10.2	5.4	3.4	36.3	57.0	8.0	1.0	-	33.4
Upper Waimangaroa (Met)	65%	13.2	4.2	1.9	39.0	53.8	5.1	3.5	-	28.9
Upper Waimangaroa (Thermal)	65%	1.0	8.4	2.8	37.0	50.4	1.4	4.1	-	27.2
Millerton North	100%	1.9	9.7	4.9	36.9	52.4	10.0	1.0	6.1	31.1
North Buller	100%	7.3	8.8	5.1	42.6	46.3	5.0	2.3	9.4	30.0
Blackburn	100%	5.8	3.9	4.3	42.1	51.8	6.0	2.2	10.1	30.4
Takitimu	100%	1.6	8.2	0.3	35.9	40.0	N/A	16.0	25.5	21.8
New Brighton	100%	0.4	9.0	0.3	35.9	42.1	N/A	12.9	20.5	23.7
Albury	100%	0.7	7.2	1.0	30.9	24.5	N/A	37.4	41.2	15.6
Canterbury Coal	100%	2.5	9.4	1.0	35.1	38.7	N/A	16.8	26.1	22.7
Rotowaro	65%	5.0	5.9	0.3	44.0	41.3	N/A	14.0	-	24.5
Maramarua	65%	1.5	5.6	0.2	37.4	36.0	N/A	18.6	-	22.5

Table 4 – Average coal quality – inferred

Area	Bathurst Mineral Ownership	Inferred Resource (Mt)	Ash% (AD)	Sulphur % (AD)	Volatile Matter % (AD)	Fixed Carbon % (AD)	CSN	Inherent Moisture	In Situ Moisture	Calorific Value (AD)
Escarpment	100%	1.1	12.5	1.6	35.2	51.0	7.0	1.3	5.4	29.9
Cascade	100%	0.3	16.5	2.2	36.7	44.7	4.0	2.1	6.7	27.6
Deep Creek	100%	1.6	10.1	2.4	29.7	57.8	-	2.4	7.1	29.7
Coalbrookdale	100%	4.7	12.7	1.8	35.7	49.8	5.0	1.8	5.7	29.5
Whareatea West	100%	4.8	29.5	0.9	22.0	47.8	6.0	0.7	6.4	24.5
Sullivan	100%	4.1	16.0	1.1	30.5	52.3	6.5	1.2	6.5	29.1
Stockton	65%	7.5	6.3	3.4	35.3	57.0	7.5	1.0	-	33.1
Upper Waimangaroa (Met)	65%	33.4	5.7	2.0	38.7	52.5	4.6	3.6	-	28.5
Upper Waimangaroa (Thermal)	65%	1.4	7.4	1.8	35.4	49.2	2.9	5.7	-	27.1
Millerton North	100%	3.6	12.0	5.5	35.3	51.6	9.0	1.1	7.2	30.2
North Buller	100%	10.9	9.9	5.1	45.6	42.3	5.0	2.2	9.6	29.5
Blackburn	100%	14.1	6.4	4.8	41.8	49.5	6.0	2.3	11.2	30.1
Takitimu	100%	0.2	10.6	0.3	36.2	37.4	N/A	15.9	25.3	21.1
New Brighton	100%	1.3	9.0	0.3	35.7	43.6	N/A	11.6	19.6	24.1
Albury	100%	0.1	7.3	0.8	30.2	23.4	N/A	39.1	43.1	15.6
Canterbury Coal	100%	3.2	9.9	1.3	35.3	38.2	N/A	16.6	26.4	22.6
Rotowaro	65%	1.5	5.7	0.3	43.2	42.2	N/A	14.0	-	24.3
Maramarua	65%	0.0	-	-	-	-	-	-	-	-

Reserves

Table 5 – Coal reserves (ROM) tonnes

ROM Coal Area	Bathurst Mineral Ownership	Proved (Mt)			Probable (Mt)			Total (Mt)		
		2018	2017	Change	2018	2017	Change	2018	2017	Change
Escarpment Domestic (11, 13, 16 & 18)	100%	0.2	0.2	0.0	0.1	0.1	0.0	0.3	0.3	0.0
Escarpment Export (11,13, 16 & 18)	100%	2.3	2.3	0.0	0.5	0.5	0.0	2.8	2.8	0.0
Whareatea West (11, 13, 16 & 18)	100%	0.0	0.0	0.0	15.8	15.8	0.0	15.8	15.8	0.0
Stockton (12, 13, 15 & 17)	65%	0.7	0.8	(0.1)	7.2	8.0	(0.8)	7.9	8.8	(0.9)
Upper Waimangaroa (Met) (12, 13, 15 & 17)	65%	0.5	0.6	(0.1)	2.8	2.9	(0.1)	3.3	3.5	(0.2)
Takitimu (11, 13, 14, 16 & 18)	100%	0.4	0.5	(0.1)	1.1	1.3	(0.2)	1.5	1.8	(0.3)
Canterbury Coal (11, 13,15, 16 & 18)	100%	0.6	0.5	0.1	0.8	1.1	(0.3)	1.4	1.6	(0.2)
Rotowaro (12, 13, 17 & 19)	65%	0.6	0.5	0.1	1.9	1.5	0.4	2.5	2.0	0.5
Maramarua (12, 13, 15 & 17)	65%	1.5	3.1	(1.6)	1.4	0.1	1.3	2.9	3.2	(0.3)
Total		**6.8**	**8.5**	**(1.7)**	**31.6**	**31.3**	**0.3**	**38.4**	**39.8**	**(1.4)**

Table 6 – Marketable coal reserves tonnes

Product Coal Area	Bathurst Mineral Ownership	Proved (Mt)			Probable (Mt)			Total (Mt)		
		2018	2017	Change	2018	2017	Change	2018	2017	Change
Escarpment Domestic (11, 13, 16 & 18)	100%	0.2	0.2	0.0	0.1	0.1	0.0	0.3	0.3	0.0
Escarpment Export (11,13, 16 & 18)	100%	1.9	1.9	0.0	0.4	0.4	0.0	2.3	2.3	0.0
Whareatea West (11, 13, 16 & 18)	100%	0.0	0.0	0.0	9.9	9.9	0.0	9.9	9.9	0.0
Stockton (12, 13, 15 & 17)	65%	0.6	0.6	0.0	5.7	6.2	(0.5)	6.2	6.9	(0.7)
Upper Waimangaroa (Met) (12, 13, 15 & 17)	65%	0.5	0.5	0.0	2.6	2.7	(0.1)	3.1	3.2	(0.1)
Takitimu (11, 13, 14, 16 & 18)	100%	0.3	0.5	(0.2)	1.0	1.2	(0.2)	1.3	1.7	(0.4)
Canterbury Coal (11, 13,15, 16 & 18)	100%	0.6	0.5	0.1	0.7	0.9	(0.2)	1.3	1.4	(0.1)
Rotowaro (12, 13, 17 & 19)	65%	0.6	0.4	0.2	1.7	1.3	0.4	2.3	1.7	0.6
Maramarua (12, 13, 15 & 17)	65%	1.4	3.1	(1.7)	1.3	0.1	1.2	2.8	3.2	(0.4)
Total		**6.1**	**7.7**	**(1.6)**	**23.4**	**22.8**	**0.6**	**29.5**	**30.6**	**(1.1)**

Reserves (continued)

Table 7 – Marketable coal reserves – proved and probable average quality

Deposit	Bathurst Mineral Ownership	Proved Marketable (Mt)	Ash (%)	Sulphur (%)	VM (%)	CSN	CV (MJ/Kg)	Probable Marketable (Mt)	Ash (%)	Sulphur (%)	VM (%)	CSN	CV (MJ/Kg)
Escarpment Domestic (11, 13, 16 & 18)	100%	0.2	12.9	1.9	35.0	6.8	28.9	0.1	14.5	1.5	34.0	6.1	28.4
Escarpment Export (11,13, 16 & 18)	100%	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 (11, 13, 16 & 18)	100%	0.0	-	-	-	-	-	9.9	12.1	0.9	26.0	9.5	31.9
Stockton (12, 13, 15 & 17)	65%	0.6	4.7	2.1	31.6	8.0	33.8	5.7	3.7	3.2	35.9	8.0	34.2
Upper Waimangaroa (Met) (12, 13, 15 & 17)	65%	0.5	3.3	1.1	38.6	4.0	28.6	2.6	2.4	1.1	38.5	4.5	29.0
Takitimu (11, 13, 14, 16 & 18)	100%	0.3	8.7	0.2	33.2	N/A	19.5	1.0	5.5	0.2	32.7	N/A	20.1
Canterbury Coal (11, 13, 15, 16 & 18)	100%	0.6	8.1	0.7	30.8	N/A	19.4	0.7	7.4	0.8	31.6	N/A	19.4
Rotowaro (12, 13, 17 & 19)	65%	0.6	5.6	0.3	33.6	N/A	23.9	1.7	5.8	0.3	33.8	N/A	23.8
Maramarua (12, 13, 15 & 17)	65%	1.4	5.2	0.2	37.6	N/A	22.5	1.3	5.5	0.2	37.5	N/A	22.5

Table 8 – Marketable coal reserve – total average quality

Deposit	Bathurst Mineral Ownership	Coal Type	Mining Method	Total Marketable					
				(Mt)	Ash (%)	Sulphur (%)	VM (%)	CSN	CV
Escarpment Domestic (11, 13, 16 & 18)	100%	Thermal	Open Pit	0.3	13.4	1.8	34.7	6.6	28.7
Escarpment Export (11, 13, 16 & 18)	100%	Met	Open Pit	2.3	8.6	0.5	35.3	8.5	31.4
Whareatea West (11, 13, 16 & 18)	100%	Met	Open Pit	9.9	12.1	0.9	26.0	9.5	31.9
Stockton (12, 13, 15 & 17)	65%	Met	Open Pit	6.2	3.8	3.1	35.5	8.0	34.2
Upper Waimangaroa (Met) (12, 13, 15 & 17)	65%	Met	Open Pit	3.1	2.5	1.1	38.5	4.5	28.9
Takitimu (11, 13, 14, 16 & 18)	100%	Thermal	Open Pit	1.3	6.3	0.2	32.9	N/A	19.9
Canterbury Coal (11, 13, 15, 16 & 18)	100%	Thermal	Open Pit	1.3	7.7	0.8	31.2	N/A	19.4
Rotowaro (12, 13, 17 & 19)	65%	Thermal	Open Pit	2.3	5.8	0.3	33.7	N/A	23.8
Maramarua (12, 13, 15 & 17)	65%	Thermal	Open Pit	2.8	5.4	0.2	37.6	N/A	22.5

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").

The Measured and Indicated Mineral Resources are inclusive of Ore Reserves. Rounding of tonnes as required by reporting guidelines may result in summation differences between tonnes and coal quality. All Ore Reserves quoted are reported as of 30 June 2018.

[11] 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.

[12] Stockton, Upper Waimangaroa and Maramarua density values are based on air-dried ash density regressions. Stockton, Upper Waimangaroa, Rotowaro and Maramarua coal quality parameters are reported on an air-dried basis.

[13] Coal Reserve (Run of Mine (ROM) tonnes) includes consideration of standard mining factors (JORC Code 2012).

[14] Decrease in Coal Reserves due to mining depletion, additional drilling and a revised geological model.

[15] Decrease in Coal Reserves due to mining depletion.

[16] 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 percent for Escarpment Export and Whareatea West, 5-8 percent at Escarpment Domestic, 14-16 percent at Takitimu and 22-23 percent at 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.

[17] Stockton, Upper Waimangaroa, Rotowaro and Maramarua are owned by BT Mining Limited.

[18] Escarpment Domestic Reserves, Escarpment Export Reserves, Whareatea West Reserves, Takitimu Reserves and Canterbury Reserves are 100 percent Bathurst Resources Limited ownership.

[19] Increase in Coal Reserves due to change in mine plan (inclusion of Waipuna West).

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 are 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 2018 Annual Report have been reviewed by qualified internal and external Competent Persons, and internal management, prior to their inclusion.

Competent person statements

The information in this report that relates to mineral resources for Deep Creek and the mineral reserves for Escarpment Export, Stockton 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 Chartered Professional and member of the Australasian Institute of Mining and Metallurgy and member of Professional Engineers and Geoscientists of British Columbia, Canada. Ms Bonham-Carter has a BSc Engineering (Mining) (Hons) from the Queen's University, Canada. Ms 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 Edition and 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ms 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 Domestic, Escarpment Export, Cascade, Albury, Coalbrookdale, Whareatea West, Millerton North, North Buller, Blackburn, Takitimu, Canterbury Coal, New Brighton, Rotowaro, Sullivan and Maramarua 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 BSc and MSc (Hons) majoring in geology from the University of Canterbury. Mr McLauchlan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition 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 in this report that relates to exploration results and mineral resources for Stockton and Upper Waimangaroa is based on information compiled by Mark Lionnet as a Competent Person who is a full time employee of BT Mining Limited and is a member of the Australasian Institute of Mining and Metallurgy. Mr Lionnet has a BSc (Hons) majoring in geology from the University of Witwatersrand. Mr Lionnet 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 Lionnet 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 in this report that relates to mineral reserves for Escarpment Domestic, Takitimu, Canterbury and Maramarua is based on information compiled by Terry Moynihan who is a full time employee of Bathurst Resources Limited and is a member of the Australasian Institute of Mining and Metallurgy. Mr Moynihan has a Bachelor of Technology (Mining) from the Otago School of Mines. 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.

The information in this report that relates to mineral reserves at Rotowaro is based on information compiled by Martin Bourke who is a full time employee of BT Mining Limited and is a member of the Australasian Institute of Mining and Metallurgy. Mr Bourke has a Bachelor of Engineering (Mining) and BSc (Chemistry) from Massey University. Mr Bourke 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 Bourke 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

New Zealand company number

4382538

New Zealand business number

9429030288560

Australian registered business number

164 306 905

Registered office

Level 12, 1 Willeston Street
Wellington 6011
New Zealand
Phone: +64 4 499 6830

Australian registered office

23A Marney Street,
Chapel Hill,
Queensland 4069
Australia
Phone: +61 7 3378 7673

Share registry

Computershare Investor Services Limited

159 Hurstmere Road
Takapuna Central 0622
New Zealand
Phone: +64 9 488 8700

60 Carrington Street
Sydney NSW 2000
Phone: +61 3 9415 4000

Auditor

KPMG
10 Customhouse Quay
PO Box 996
Wellington 6140
New Zealand

Solicitor

Minter Ellison Rudd Watts Lawyers
125 The Terrace
Wellington 6011
New Zealand

Lane Neave
141 Cambridge Terrace
Christchurch 8013
New Zealand

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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