

BATHURST RESOURCES LIMITED

Interim Report for the 6 months ended 31 December 2015

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These condensed interim financial statements for the six months ended 31 December 2015 have been prepared in accordance with IAS 34, 'Interim Financial Reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2015, which have been prepared in accordance with IFRSs.

Directors' report

Your directors present their report on the consolidated entity consisting of Bathurst Resources Limited ("Bathurst") and the entities it controlled at the end of, or during, the 6 months ended 31 December 2015.

Directors

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

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

Operating and financial review

The company's operational efficiency initiatives continue to deliver results in 2016 as highlighted in the 2015 annual report to shareholders.

The group has reported a net profit after tax for the 6 months ended 31 December 2015 of \$0.1m compared with a net loss after tax of \$7.2m for the 6 months ended 31 December 2014. This includes the impact of placing the Cascade mine on care and maintenance in November 2015 (discussed below under operations).

Adjusted EBIDTA for the 6 month period of \$7.2m is \$5.7m ahead of adjusted EBIDTA for the equivalent prior period demonstrating a significant turnaround in Bathurst's operational performance and tight fiscal management.

	Group	
	2015	2014
	\$'000	\$'000
Statutory profit/(loss) after tax	142	(7,179)
Add back		
Depreciation and amortisation	6,321	6,834
Net finance costs	652	864
Tax credit	(4)	-
EBITDA	7,111	519
Add back		
Fair value gain on deferred consideration	(84)	(339)
Impairment charges	-	224
(Gain)/Loss on disposal of fixed assets	(37)	1,166
Restructuring costs	226	-
Adjusted EBIDTA	7,216	1,570

Net cashflow from operations for the 6 months ended 31 December 2015 was \$3.2m compared to an outflow of \$2.2m for the same period in 2014. Total unrestricted cash increased \$0.5m over the 6 months leaving cash and short term restricted deposits totalling \$5.6m at 31 December 2015.

The positive operational cash results over the past 12 months have seen Bathurst transition from classification as an exploration company on the Australian Securities Exchange (ASX) to classification as a production company as at 31 December 2015.

No dividends were paid in the six months to 31 December 2015 (2014:nil).

The table below shows the production and sales information for the 6 months ended 31 December 2015:

Bathurst Group	Coal Mined (t)	Overburden (bcm)	Coal Sales (t)
Total	250,437	1,683,885	202,679

Overall production for the period was 20% higher than for the previous corresponding period.

Buller Operations

Cascade

During the period a review was undertaken of the Cascade operation and, in November, it was determined that the remaining accessible coal was considered uneconomic to recover due to high strip ratios. The decision was made to place the mine into care and maintenance. The majority of the workforce was either redeployed to other Bathurst sites or accepted voluntary redundancy. The operation will continue to be monitored in line with any shift in global coal prices however production will only recommence if and when appropriate margins can be achieved.

Rehabilitation was ongoing at Cascade including shaping of the final landforms in the dump areas and approximately 9000 plants being established. Weed spraying has commenced to control non-native species.

Escarpment Development

Site works have continued at Escarpment as the area is prepared to move quickly into full steady state mining once the influencing factors of mine operating costs and export coal prices can provide an ongoing positive margin.

A waste dump extension and underdrains have been established in the initial Pit 3 and 4 areas and stripping has commenced in the Red Shed block in preparation for further site infrastructure. A total of 37,120 tonnes of coal were recovered during this process for sale into the domestic market.

Operating and financial review (continued)

Canterbury and Southland Operations

Takitimu

Initial activities for the period focused on stripping overburden to leave a level of light cover over the next coal block during the winter season to expedite recovery when the dairy industry returned to full production after the winter shutdown. Mining activities were fully focused in the Coaldale block while rehabilitation was undertaken in the mined out Takitimu pit with the shaping of final landforms, seeding and weed spraying.

Bathurst has entered into a conditional agreement to acquire the Black Diamond area which lies adjacent to the northern boundary of the Coaldale block. The area is prospective for high quality thermal coal for ongoing supply to the local food and dairy processing industries and will extend the life of Takitimu for approximately six years.

Canterbury mine

The Canterbury mine returned to full operations during the period and is now on target for an annual production of 60,000 tonnes.

Staff have been recruited, a new plant, including an upgraded processing plant, has been commissioned, new haul roads and ROM pads have been established and a dust suppression system has been installed. Production for the half year was 27,090 tonnes compared with a total production for FY 15 of 2,656 tonnes.

Health, Safety and Environment

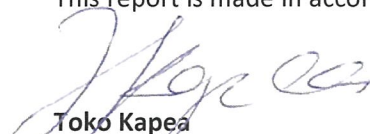
The half year was completed with no significant reportable safety or environmental incidents occurring at any of the company's sites.

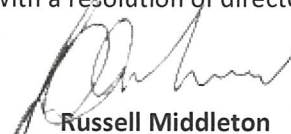
Bathurst has continued to review and update health and safety systems across its operations and has introduced a new set of corporate standards. With the addition of safety critical courses into the existing mining statutory certificates of competency, the past six months have seen a large amount of training being completed by senior site executives, mine managers and supervisors. Around 30% of Bathurst's workforce has completed risk management training; the remainder of the workforce will undertake risk training during 2016. Preparations have commenced for the introduction of the *Health and Safety at Work Act 2015*, which will be enacted on 4 April 2016. This Act will see the New Zealand health and safety system align more closely with those of Australia and the United Kingdom.

Rounding of amounts

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

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


Toko Kapea
Chairman


Russell Middleton
Director

Wellington
25 February 2016

Bathurst Resources Limited
Consolidated income statement
For the 6 months ended 31 December 2015

		6 months ended 31 December 2015 \$'000	6 months ended 31 December 2014 \$'000
Revenue	3	28,948	26,477
Less cost of sales		(22,930)	(22,967)
Gross profit		6,018	3,510
Other income		65	172
Depreciation		(2,236)	(3,075)
Administrative and other expenses		(3,191)	(5,852)
Fair value adjustment - deferred consideration		84	339
Gain/(Loss) on disposal of fixed assets		37	(1,166)
Impairment losses		-	(224)
Share of joint venture profit/(loss)		13	(19)
Finance cost net	4	(652)	(864)
Profit/(Loss) before income tax		138	(7,179)
Income tax		4	-
Profit/(loss) for the half-year		142	(7,179)
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		0.01	(0.01)
Diluted earnings per share		0.01	(0.01)

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

Bathurst Resources Limited
Consolidated statement of comprehensive income
For the 6 months ended 31 December 2015

	6 months ended 31 December 2015 \$'000	6 months ended 31 December 2014 \$'000
Profit/(loss) for the half-year	142	(7,179)
Other comprehensive expense		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(12)	41
Total comprehensive income/(expense) for the half-year	130	(7,138)
 Total comprehensive income for the half-year attributable to the Owners of Bathurst Resources Limited	130	(7,138)

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

Bathurst Resources Limited
Consolidated balance sheet
As at 31 December 2015

		At as 31 December 2015 \$'000	As at 30 June 2015 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		3,000	2,465
Short term deposits		2,628	2,770
Trade and other receivables	7	6,973	4,114
Inventories		2,787	1,279
Other financial assets		20	20
Total current assets		15,408	10,648
Non-current assets			
Property, plant and equipment	5	12,281	17,152
Mining licences, properties, exploration and evaluation assets	6	19,579	22,498
Other non-current assets		157	147
Total non-current assets		32,017	39,797
Total assets		47,425	50,445
LIABILITIES			
Current liabilities			
Trade and other payables		7,650	5,572
Borrowings		3,018	8,549
Deferred consideration	8	1,604	1,730
Provisions		178	627
Total current liabilities		12,450	16,478
Non-current liabilities			
Trade and other payables		431	430
Deferred consideration	8	10,286	10,883
Provisions		3,482	3,274
Borrowings		1,609	461
Total non-current liabilities		15,808	15,048
Total liabilities		28,258	31,526
Net assets		19,167	18,919
EQUITY			
Contributed equity	9	247,378	247,378
Reserves		(31,054)	(30,872)
Retained earnings / (Accumulated losses)		(197,157)	(197,587)
Total equity		19,167	18,919

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

Bathurst Resources Limited
Consolidated statement of changes in equity
For the 6 months ended 31 December 2015

Consolidated	Notes	Contributed Equity \$'000	Option Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings / (Accumulated Losses) \$'000	Re- Organisation Reserve \$'000	Total Equity \$'000
Balance at 1 July 2014		247,338	1,233	(198)	(181,354)	(32,760)	34,259
Total comprehensive income for the half-year		-	-	41	(7,179)	-	(7,138)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs		40	-	-	-	-	40
Share based payments expense		-	181	-	-	-	181
Lapsing of options		-	(173)	-	173	-	-
		40	8	-	173	-	221
Balance at 31 December 2014	10	247,378	1,241	(157)	(188,360)	(32,760)	27,342
Balance at 1 July 2015		247,378	2,028	(140)	(197,587)	(32,760)	18,919
Total comprehensive expense for the half-year		-	-	(12)	142	-	130
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs		-	-	-	-	-	-
Share based payments expense		-	118	-	-	-	118
Issue of shares		-	(288)	-	288	-	-
		-	(170)	-	288	-	118
Balance at 31 December 2015		247,378	1,858	(152)	(197,157)	(32,760)	19,167

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

Bathurst Resources Limited
Consolidated statement of cash flows
For the 6 months ended 31 December 2015

	6 months ended 31 December 2015 \$'000	6 months ended 31 December 2014 \$'000
Cash flows from operating activities		
Receipts from customers	26,593	23,643
Payments to suppliers and employees	(23,280)	(25,472)
Interest received	44	51
Interest and other finance costs paid	(166)	(409)
Income taxes recovered/(paid)	12	(4)
Net cash inflow/(outflow) from operating activities	3,203	(2,191)
Cash flows from investing activities		
Payments for exploration & consenting expenditure	(482)	(282)
Payments for elevated stripping activity	(627)	(557)
Payments for property, plant and equipment	(310)	(844)
Payments for mining permits	(244)	(563)
Proceeds from the sale of property, plant, and equipment	-	3,580
Decrease in restricted security deposits	218	289
Deposits paid	(85)	-
Other	(26)	16
Net cash (outflow)/inflow from investing activities	(1,556)	1,639
Cash flows from financing activities		
Proceeds from the issue of shares	-	140
Proceeds from borrowings	-	-
Repayment of borrowings	(1,112)	(2,102)
Payments for share issue costs	-	(100)
Net cash outflow from financing activities	(1,112)	(2,062)
Net increase/(decrease) in cash and cash equivalents	535	(2,614)
Cash and cash equivalents at the beginning of the half-year	2,465	5,565
Effects of exchange rate changes on cash and cash equivalents	-	(14)
Cash and cash equivalents at the end of the half-year	3,000	2,937

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

Note 1 Basis of preparation of the half-year report

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

The interim financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with NZ IAS 34 Interim Financial Reporting, and IAS 34 Interim Financial Reporting, and consequently do not include all the information required for full financial statements. These condensed Group interim financial statements should be read in conjunction with the annual report for the year ended 30 June 2015.

The financial statements presented herewith as at and for six months ended 31 December 2015 comprise the Company, its subsidiaries and jointly controlled entities (together referred to as the “Group”).

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

The accounting policies adopted are consistent with those of the previous financial year.

Note 2 Segment information

(a) Descriptions of segments

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

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

All other operations of the Group are classified as Corporate which encompasses the administration and treasury management of the Group.

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

Revenue is no longer presented on a segmented basis, instead it is presented as a sales function across the Group. Total revenue for the six months ended 31 December 2015 totalled \$28.9m (2014: \$26.5m).

In addition, total assets and total liabilities are reported on a group basis and are not provided internally on a segmented basis. Total assets and liabilities as at 31 December 2015 total \$47.4m (30 June 2015: \$50.4m) and \$28.3m (30 June 2015: \$31.5m) respectively.

(b) Segment information

6 months ended 31 December 2015	Buller Coal \$'000	Eastern Coal \$'000	Corporate \$'000	Total \$'000
Profit before tax	2,766	(64)	(2,560)	142
Profit before tax includes:				
Depreciation and amortisation	172	6,093	56	6,321
Loss before tax for the 6 months ended 31 December 2014	(1,590)	(398)	(5,191)	(7,179)

Note 3 Revenue

	6 months ended 31 December 2015	6 months ended 31 December 2014
	\$'000	\$'000
Sales revenue		
Coal sales	21,520	18,667
Freight	7,428	7,810
Total sales revenue	<u>28,948</u>	<u>26,477</u>
Other Income	65	172
Total revenue from operations	<u>29,013</u>	<u>26,649</u>

Note 4 Finance (costs)/income

	Note	6 months ended 31 December 2015	6 months ended 31 December 2014
		\$'000	\$'000
Finance income			
Interest income		36	140
Total finance income		<u>36</u>	<u>140</u>
Finance costs			
Interest expense		(208)	(517)
Provisions: unwinding of discount		(92)	(85)
Deferred consideration: unwinding of discount	8	(412)	(102)
Total finance costs		<u>(712)</u>	<u>(704)</u>
Foreign exchange gain/(loss)			
Foreign exchange gain/(loss) on deferred consideration	8	-	(277)
Exchange gain/(loss)		24	(23)
Total foreign exchange gain/(loss)		<u>24</u>	<u>(300)</u>
Finance (costs)/income - net		<u>(652)</u>	<u>(864)</u>

Note 5 Property, plant, & equipment

	Freehold Land	Buildings	Mine Infrastructure	Plant & Machinery	Furniture, fittings and equipment	Other	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2015								
Cost or fair value	18,408	6,643	3,561	14,634	2,165	558	11,545	57,514
Accumulated depreciation	(10,305)	(5,751)	(1,050)	(10,166)	(1,597)	(333)	(11,160)	(40,362)
Closing net book amount	8,103	892	2,511	4,468	568	225	385	17,152
Half-year ended 31 December 2015								
Opening net book amount	8,103	892	2,511	4,468	568	225	385	17,152
Additions	-	-	-	2,407	42	35	259	2,743
Disposals	(5,375)	-	-	-	-	(3)	-	(5,378)
Depreciation charge	(1,644)	(55)	(12)	(426)	(87)	(12)	-	(2,236)
Closing net book amount	1,084	837	2,499	6,449	523	245	644	12,281
At 31 December 2015								
Cost	13,033	6,643	3,561	17,041	2,207	590	11,804	54,879
Accumulated depreciation	(11,949)	(5,806)	(1,062)	(10,592)	(1,684)	(345)	(11,160)	(42,598)
Net book amount	1,084	837	2,499	6,449	523	245	644	12,281

Note 6 Mining licences, properties, exploration and evaluation assets

	Exploration & Evaluation Expenditure \$'000	Mining Licences & Properties \$'000	Total \$'000
Opening net book amount at 1 July 2015	650	21,848	22,498
Additions	480	629	1,109
Amortisation	-	(4,087)	(4,087)
Abandonment provision movement	-	59	59
Closing net book amount at 31 December 2015	1,130	18,449	19,579

Note 7 Trade and other receivables

	31 December 2015 \$'000	30 June 2015 \$'000
Trade receivables	7,080	4,667
Provision for impairment of receivables	(785)	(785)
Trade receivables	6,295	3,882
Interest receivable	18	27
Prepayments	264	93
Other receivables	396	112
Total trade and other receivables	6,973	4,114

Note 8 Deferred consideration

	31 December 2015 \$'000	30 June 2015 \$'000
Current		
Acquisition of subsidiary deferred consideration	1,604	1,730
Non-current		
Acquisition of subsidiary deferred consideration	10,286	10,883
Total deferred consideration	11,890	12,613
Movements		Deferred consideration \$'000
Closing balance as at 30 June 2015		12,613
Unwinding of discount (note 4)		412
Fair value adjustments to deferred consideration		(84)
Consideration paid during the period		(1,051)
Closing balance as at 31 December 2015		11,890

Note 8 Deferred consideration (continued)**(a) Details on deferred consideration – Buller Coal Project**

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

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

Bathurst 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 at 31 December 2015. The fair value of the future royalty payments is estimated using a discount rate based upon the latest New Zealand 10 year government bond rate, production profile, and forecasted domestic coal prices.

(b) Details on deferred consideration – Canterbury Coal Limited

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

(c) Details on deferred consideration – New Brighton Collieries Limited

On 10 March 2015, the company announced that it had completed the acquisition of New Brighton Collieries Limited under amended terms. The acquisition was initially announced on 28 February 2012 with the principal asset of New Brighton Collieries Limited being coal exploration permit 40625. Under the amended terms the balance due on settlement is to be satisfied by an ongoing royalty based on mine gate sales revenue. The fair value of the future royalty payments is estimated using a discount rate based upon the latest New Zealand 10 year government bond rate, projected production profile, and forecast domestic coal prices.

Note 9 Equity securities issued

	Number of shares 000s	Issue price	Share capital \$'000
Closing balance as at 30 June 2015	<u>947,828</u>		<u>247,378</u>
Half-year ended 31 December 2015			
Opening balance	947,828		247,378
Issue of shares to current and former employees	12,000	nil	-
Conversion of performance rights	155	nil	-
Closing balance as at 31 December 2015	<u>959,983</u>		<u>247,378</u>

	Number of shares 000s	Issue price	Share capital \$'000
Closing balance as at 30 June 2014	<u>944,932</u>		<u>247,338</u>
Half-year ended 31 December 2014			
Opening balance	944,932		247,338
Allotment of rights issue	2,147	\$0.065	139
Conversion of performance rights	749	-	-
	<u>947,828</u>		<u>247,477</u>
Less costs of capital raising			(99)
Closing balance as at 31 December 2014			<u>247,378</u>

Note 10 Events occurring after the reporting period

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



Independent Review Report

to the shareholders of Bathurst Resources Limited

Report on the Consolidated Interim Financial Statements

We have reviewed the accompanying consolidated interim financial statements of Bathurst Resources Limited (“the Company”), and the entities it controlled, together the Group, at 31 December 2015, which comprise the balance sheet as at 31 December 2015, the income statement, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the period ended on that date, and a summary of significant accounting policies and selected explanatory notes.

Directors’ Responsibility for the Consolidated Interim Financial Statements

The Directors are responsible on behalf of the Company for the preparation and presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (‘NZ IAS 34’) and for such internal controls as the Directors determine are necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditors perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Accordingly we do not express an audit opinion on these financial statements.

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these consolidated interim financial statements of the Group are not prepared, in all material respects, in accordance with NZ IAS 34.



Independent Review Report
to the shareholders of Bathurst Resources Limited

Restriction on Use of Our Report

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

PricewaterhouseCoopers

Chartered Accountants
25 February 2016

Wellington