BATHURST
RESOURCES LIMITED

ANNUAL REPORT 2016

Annual General Meeting of Shareholders
To be held at 10.00am on Friday 2 December 2016
at the offices of Minter Ellison Rudd Watts,
125 The Terrace, Wellington 6011.

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

Bathurst
The story behind the name

Most people think that Bathurst was named after the Australian gold rush town, now famous for hosting the Bathurst 1000 V8 Supercars event. Nothing could be further from the truth.

The company was formed in 2007 by Ventnor Capital, which named a series of companies after rock formations on Rottnest Island, off the coast of Perth, Western Australia. Bathurst is named after the Bathurst Point lighthouse on the northeast of the island. The lighthouse was first lit in 1900 and its purpose was to guide ships travelling to the Port of Freemantle through a series of treacherous reefs.

Bathurst Resources Limited listed on the Australian Stock Exchange in late 2007 and acquired coal assets in Kentucky, USA. In 2010 Bathurst acquired coal permits in New Zealand and divested the US assets.

While it evolved in Perth, Bathurst has never had any operating projects in Australia. In 2013 the company relocated its small corporate office to Wellington and is now proudly a registered New Zealand company.

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Section 01

Year in review

Chairman's and CEO's report

We are pleased to report that in the past year Bathurst has delivered on its promises.

The company has returned a $1 million profit, which is the first recorded surplus since incorporation in 2007. This is an outstanding achievement considering the volatility of the resources market in the past year and is a direct reflection of the company's continued focus on financial management and drive for operational cost efficiencies.

Bathurst has also achieved record coal production of more than 430,000 tonnes – an increase of 10% on last year.

We ended the year with $6 million in cash and short term deposits, and the successful convertible note issue finalised in August 2016 has enabled us to refinance secured debt and given us the flexibility to consider acquisition opportunities.

This past year has also seen a significant investment in employee training and the implementation of new systems and procedures to facilitate transitioning to the new requirements of the *Health and Safety at Work Act 2015* which became effective in April 2016. Health and safety is fundamental to all of Bathurst's activities and we will continue to ensure that the underlying principle of all Bathurst's operations is **every worker returns home safe**.

The return from our domestic business has enabled Bathurst to achieve positive results in the face of a global downturn. The company is now firmly established as a leading coal producer in New Zealand and has reported as a Producer rather than an Explorer to the Australian Securities Exchange since the beginning of 2016.

Production from the Canterbury and Takitimu mines has increased during the year and development work is ongoing at both sites to meet the growing needs of the regional industrial markets. Bathurst has worked hard to strengthen relationships with the local agri-business sector and to maintain our reputation as a reliable supplier for its energy needs. We work closely with our major customers to ensure that the quality of the coal we supply meets the stringent environmental controls under which they operate and that it is delivered through a sustainable transport chain.

Highlights

First recorded net surplus of $1 million

Record coal production and sales

Successful transitioning to new health and safety regulations

Sustainable cost reductions through operational initiatives

Refinancing through convertible note

A full assessment was undertaken during the year at each mining operation to decide on the most efficient plant and equipment for each site, in conjunction with a review to determine more cost effective financing models. This has enabled us to improve our productivity per person employed markedly and achieve a reduction in operating overheads.

The decision was made during the year to place the Cascade and Escarpment mines into care and maintenance. This was a direct reflection of the company's strategy to manage its assets in the most effective way to meets its financial goals. Work is ongoing to monitor both sites to ensure compliance with consent conditions and to maintain the areas to a level where we are well positioned to reinstate operations when market conditions stabilise. While global coal pricing has firmed up in recent months, the resources sector remains volatile and Bathurst will take a measured approach to the management of its coking coal assets to ensure that the value of this high quality resource is maximised. Ultimately the company sees a future in developing an export coking coal operation; however, this will only be at a time when profitable margins can be achieved.

Bathurst has welcomed moves by government, regulators and other relevant parties to streamline consenting processes. We are strongly supportive of any initiative that will enable permitted mining operations in designated locations while preserving other areas of environmental significance. This would promote economic development in the regions and provide funding to support the conservation estate.

In the coming year, Bathurst will continue to build a strong business based on a strategy of efficient financial practices and the effective management of assets. In addition the company is actively reviewing further potential acquisition opportunities that offer synergies with our existing operations.

In closing, we would like to acknowledge our staff, our shareholders, our customers and our local communities. We value your ongoing support and look forward to a profitable year heading into 2017.

Toko Kapea
Chairman

Richard Tacon
Chief Executive Officer

Operating and financial review

Bathurst is a New Zealand resources company listed on the Australian Securities Exchange (ASX). Its operations are in the South Island of New Zealand, where it is established as a leading coal producer, providing energy for local industrial users. In addition to its domestic operations, Bathurst has permits over 10,000 hectares on the Buller coalfield, where it ultimately plans to become an exporter of high quality metallurgical coal for steel production in Japan, India and Asia.

Whilst listed on the ASX, Bathurst is a New Zealand registered company, employing more than 80 staff across its operations. The company's head office is in Wellington. Bathurst has no operations outside New Zealand.

Domestic operations

The focus for Bathurst during the period was on the ongoing development of its domestic mines to meet the needs of the expanding agri-business sector in the South Island. Coal is the most cost effective and efficient energy source in this region, which has limited infrastructure for gas or electricity to meet the growing demands of the food and dairy processing industries. During the year Bathurst produced more than 400,000 tonnes of thermal coal from four operating mines in the South Island. During the period two of the company's West Coast mines were placed into care and maintenance when their major local customer ceased operations. They are being maintained to a state where they can be quickly returned to operational status when alternative customers are sourced and costs align to ensure a profitable margin. Plant, equipment and some operational staff were relocated from these mines to the Canterbury and Takitimu sites.

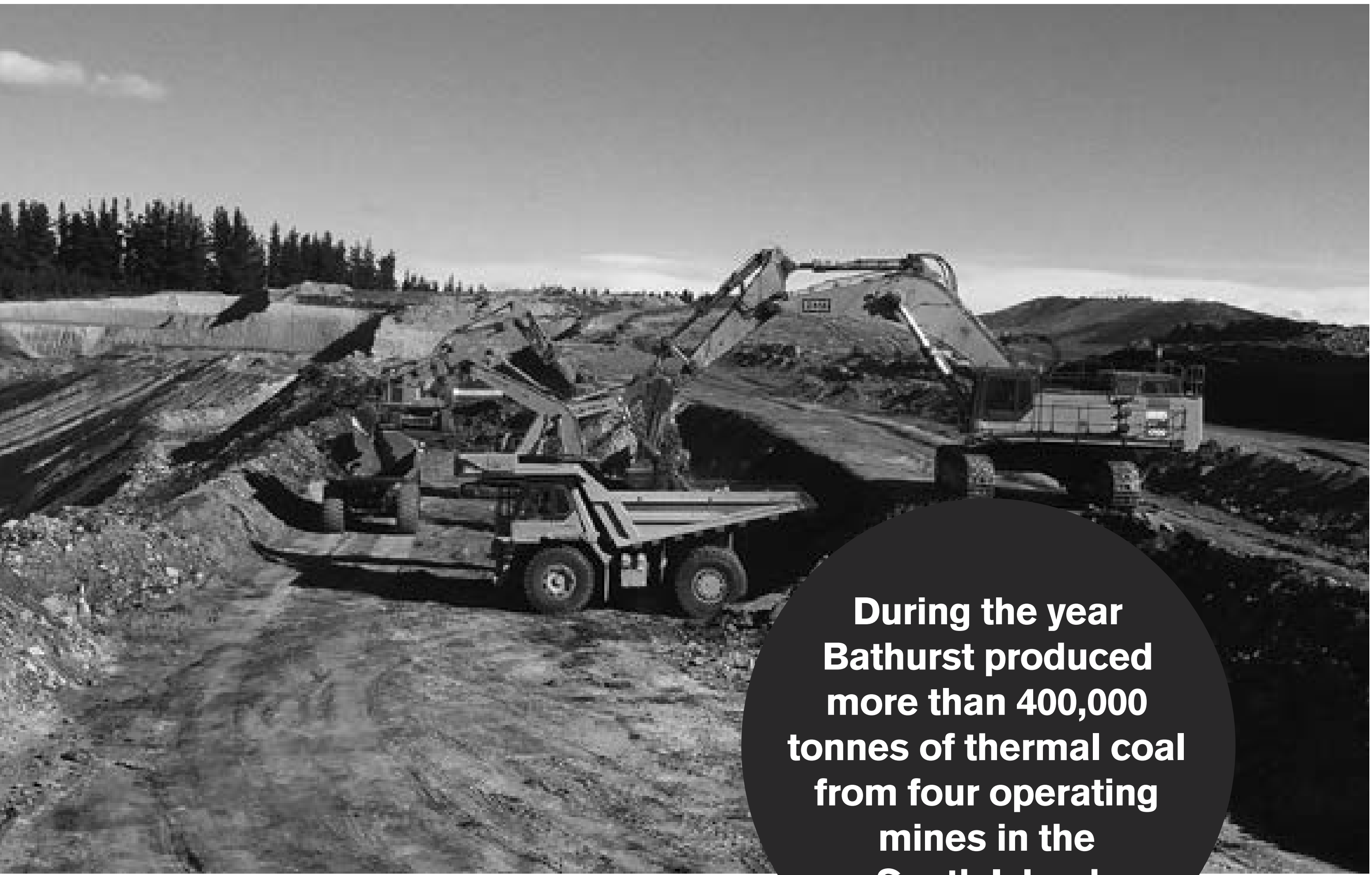
Bathurst also operates a coal handling and distribution centre in Timaru.

Takitimu

The Takitimu mine is located at Nightcaps, north of Invercargill. Mining operations originally commenced at Nightcaps in 1881. Sub-bituminous coal from the open cut operation is railed to a number of major industrial customers in the Southland, Otago and Canterbury areas. The mine produced more than 300,000 tonnes of sub-bituminous coal during the year, an increase of 70,000 tonnes on the previous 12 months' production.

The original Takitimu pit is now being progressively backfilled and rehabilitated to pasture land, and coal winning has been from the northern Coaldale block. Once this area is depleted, which is forecast to be around August 2017, operations will move to the adjoining Black Diamond deposit.

New plant and equipment were installed during the year, delivering significant operational efficiency gains. The larger scale equipment required less staffing, with the resulting staff redundancies partially mitigated by some positions transferring to the Canterbury mine.



During the year Bathurst produced more than 400,000 tonnes of thermal coal from four operating mines in the South Island

Black Diamond

In late 2015 Bathurst acquired the Black Diamond block, which is immediately northwest of Coaldale. The area is prospective for high quality sub-bituminous coal and is a natural extension of Takitimu's Coaldale operations. This acquisition further underpins the development of Bathurst's domestic coal strategy in Southland.

It is planned that Black Diamond will become the main mining area after the Takitimu and Coaldale pits are fully depleted. Mine planning is targeting first coal recovery from Black Diamond in the final quarter of 2017.

During the year site risk assessments were conducted in preparation for the commencement of operations. Drilling continued in the area to improve mine planning and scheduling from the geologic model. Dewatering of the Black Diamond pond commenced in May and is being carried out under the conditions of the the Environment Southland permit.

In May, Overseas Investment Office approval was received for the acquisition. Initial environmental consents have been lodged and an application has been submitted to include Black Diamond within the Takitimu mining permit.

New Brighton

Bathurst holds the New Brighton coal exploration permit. This permit is in close proximity to the Takitimu mine and is connected by the same rail line. It is prospective for high grade sub-bituminous coal and has potential to add substantially to the life of the company's Southland operations.

During the year 11 holes were drilled for resource definition to meet permit compliance. This enabled an update of the resource consistent with the JORC 2012 reporting standard. The geologic model was also updated. The resources were re-evaluated with a new model based entirely on an open cast operation.

Canterbury

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

Total production from Canterbury was more than 60,000 tonnes during the period. This was a significant increase on the previous year, when operations were suspended for most of the period while the processing operations were reviewed and upgraded. Coal demand in the Canterbury area is on the increase with expansion in the local dairy and food processing industries. The proximity of the mine to these markets offers a distinct freight advantage to target this growth. Production capacity in Canterbury is planned to increase in FY2017 with run of mine (ROM) production forecast to exceed 100,000 tonnes in response to this rising demand. The increased scale will result in further production efficiencies.

New plant and equipment were mobilised to site during the year and a double rolls crusher was installed that increased the mine's processing capabilities. Further expansion plans for Canterbury include a new overburden dump to be located on adjoining land and the opening of an additional resource area – Surveyors Gully. Consenting is underway for these projects.

Albury

The Albury project, located 40 kilometres west of Timaru, was an historic underground and open cast mine worked from the early 1900s through to the mid-1960s. The mine produced low rank sub-bituminous coal for local sales. Coal trials from the Albury permit have determined its suitability for local industrial applications; however, no further exploration or development activities were carried out during the year.

Buller Coal Project

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

The Buller coalfield is well known for its production of high quality, low ash and high fluidity coking coals, which are highly sought after by international steelmakers

Bathurst intends to develop an export coking coal operation from its permits in the Buller coalfield. The first stage of this project is the Escarpment mine, which was in the early stages of development until it was placed into care and maintenance early in the year due to prevailing economic conditions. The company will continue to monitor the global coking coal pricing trends and, at the same time, pursue suitable offtake contracts and transport options that could support a sustainable export operation. The main objective is to develop a low cost mining operation with economically viable routes to market.

From its location in Westport, Bathurst has access to existing rail and port infrastructure with connections to the export ports of Taranaki in New Plymouth, in the west, and Lyttelton, near Christchurch, on the east coast.

The next phase of development of the Buller Coal Project will be Whareatea West, before the North Buller permits come on line in stage two of the development.

South Buller

Cascade

The Cascade permit is part of the South Buller operations. It was producing semi-soft coking coal for sale into the domestic market, largely for the manufacture of cement. In late 2015 the company determined that the remaining accessible coal in Cascade was uneconomic to recover due to high strip ratios. This coincided with the imminent closure of the local cement plant. In November 2015 the mine was placed into care and maintenance until market conditions recover to the stage that a recovery of the remaining coal is economically viable.

Rehabilitation activities were completed in mined out areas, with a total of 23,910 plants established and native plant seed spread over the finished batters. The offices and buildings were relocated and the site was re-contoured, spread with topsoil and planted with native species. Environmental compliance monitoring is ongoing to ensure that consent conditions continue to be met.

Escarpment

The Escarpment mine, on the Denniston Plateau near Westport, is the first stage of Bathurst's planned export coking coal operations.

Mining commenced at Escarpment in late 2014. Coal was sold to the local cement manufacturing plant, which closed in June 2016. A decision was made to place the mine into care and maintenance in May 2016, which coincided with the timing of the plant closure.

This decision was the result of detailed planning and feasibility work, which demonstrated that the mine required certain levels of production to be profitable. The company will continue to review various operating options for Escarpment in parallel with sourcing domestic and export customers and developing routes to market that will allow for economically sustainable operations to recommence.

Full environmental compliance is continuing at the site until mining operations are reinstated. This includes monitoring of acid mine drainage, water discharges and weed control, with water monitoring being a focus. The engineered landform and main access and site roads have been reshaped to minimise water run-off, and sediment sumps and traps have been installed.

Bathurst plans to maintain the value of the resource and will continue to meet all consent requirements to ensure continued access to the permit. Quarterly visits by environmental regulators have been undertaken at Escarpment and Cascade, with both sites reported to be in general compliance with their respective conditions.

All plant and equipment from Escarpment have been transferred to other Bathurst sites.

Whareatea West and Coalbrookdale

The next stage for development in South Buller is the Whareatea West block, which is located immediately adjacent to the Escarpment permit's western boundary. Whareatea West is currently an Exploration Permit however an application to convert this to a Mining Permit has been prepared and submitted for approval with New Zealand Petroleum and Minerals. This permit will allow mining in the western plateau in an area of high quality coking coal.

Coalbrookdale, which adjoins Escarpment to the northeast, is fully consented for underground mining. A prefeasibility study for Whareatea West was completed in 2015 and an overall plan for the combined areas, known as the Denniston Integrated Mine Plan, progressed during the year. This will present a consolidated view of the Denniston area rather than three discrete blocks.

North Buller

The North Buller permits lie north of the Stockton Plateau. Preliminary analysis indicates that the low ash, higher sulphur coal from this area can be blended with South Buller coal to produce a premium product. A mining permit has been granted for an area known as Coal Creek at North Buller. The coal from this region has potential for use in the petrochemical market.

Exploration

Exploration during the year was targeted on supporting and developing the existing operations.

During the year 207 holes and trenches were drilled and excavated across six permits – New Brighton (EP40 625), Black Diamond (EP51 270), Canterbury (MP41 372), Escarpment (MP51 279), Coaldale (MP53 614) and Cascade (MP41 455). Drilling in total was 2996 metres.

The Cascade and Escarpment drilling was for short term mine planning before the Denniston operations were placed into care and maintenance. A total of eight diamond drill holes, 18 sampled trenches and 26 sampled blast holes was completed across both permits.

At Black Diamond 11 holes were drilled and 43 trenches excavated to assist in mine planning and geotechnical assessment for work scheduled to commence between 2016 and 2017.

Drilling at Canterbury for mine planning to support expansion plans significantly increased the confidence of the resource, with the Measured Resources increasing from 230,000 to 340,000 tonnes in one programme. The increase was proved at a rate of less than $1 per tonne. In the two programmes completed at Canterbury, four diamond holes were drilled and 36 sample trenches were excavated.

At Coaldale 11 holes were drilled at reduced spacing to improve the resource classification overall and to finalise future high wall locations, and 30 channel samples were completed to assist in coal quality management.

The New Brighton permit had 11 holes drilled and nine trenches excavated for resource definition.

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

Permit surrenders

In previous years Bathurst built up a significant portfolio of tenements across the country.

These permits were granted at a time when favourable coking coal prices encouraged further investment in prospective coal areas. Since then, there has been a significant reduction in investor enthusiasm for coking coal projects.

The Bathurst permit portfolio was reviewed critically against strategic planning based on the company's thermal operations.

Following that review, a number of permits that were outside the core Buller coking coal areas, and that required long lead times and significant expenses to realise any return on investment, were surrendered.

Production

Production figures for Bathurst's operating mines for the year ended 30 June 2016 are set out below. The group produced 431,000 tonnes in FY2016, a record production since incorporation.

OPERATION	PRODUCTION (TONNES)	OVERBURDEN (BCM)
Takitimu	303,540	2,339,628
Canterbury Coal	61,676	594,743
Escarpment	48,365	374,890
Cascade	17,299	195,988
Total	**430,880**	**3,505,249**

Financial

The group made a net profit after tax of $1.0 million in the year ended 30 June 2016 compared with a net loss after tax of $16.4 million in the year ended 30 June 2015. This represents the first annual surplus posted by the company since incorporation in 2007, and was achieved despite continued challenges faced by the industry.

The FY2016 result was driven by a strong operating performance coupled with lean financial and corporate management. The company delivered on its promises off the back of a sustainable and reliable domestic business, whilst preserving its option to export coking coal.

Business efficiency initiatives delivered further results in FY2016 and a significant change in the company's heavy vehicle fleet management is providing positive results on the bottom line.

During the period two of the company's operating mines, Cascade and Escarpment, were placed into care and maintenance. This decision was made in response to the loss of a significant local market (local cement production); however, the Escarpment mine was initially developed through operating cash flow and is well placed to respond when market conditions demonstrate a sustained improvement. This resulted in a number of one-off restructuring costs in the period, which were necessary to scale the company back to meet planned production levels.

	FY2016 $000'S	FY2015 $000'S
Statutory profit/(loss) after tax	**1,031**	**(16,406)**
Add back		
Depreciation and amortisation	11,220	14,668
Net finance costs	1,250	1,261
EBITDA	**13,501**	**(477)**
Add back		
FV (gain)/loss on deferred consideration	(2,175)	615
Impairment charges	100	1,171
(Gain)/Loss on disposal of fixed assets	(122)	1,160
Restructuring costs	527	2,405
Adjusted EBITDA	**11,831**	**4,874**

Financial highlights

Full year net surplus of $1 million

Adjusted EBITDA of $11.8 million

Cash flow positive

Solid platform to deliver future value

The group produced a positive cash flow from operations of $10.2 million in the year ended 30 June 2016 compared with an operating cash outflow of $1 million in the same period last year. This result demonstrates a significant turnaround in Bathurst's operational performance and creates a solid platform to deliver on the group's operational efficiency targets in the coming year.

The group had $6 million of cash and short term deposits on hand as at 30 June 2016, compared with $5.2 million at 30 June 2015.

Convertible note

In August, subsequent to period end, Bathurst completed an AUD$4.25 million convertible note issue. The notes were issued at a conversion price of AUD$0.022 per share. The primary objective in issuing the notes was to repay outstanding facilities with a New Zealand bank and free up the security position of the domestic business. This will also extend the maturity of any further debt principal payments for three years and improve the working capital position of the company.

In addition to the repayment of the secured facilities, the convertible note provided access to funds for due diligence work surrounding the sale of a major New Zealand coal producer.

Sustainability

Sustainable development is fundamental to all of Bathurst's operations. The company is focused on responsible resource extraction with positive outcomes for our people, our communities and the environment. Our aim is to provide social and economic benefits to the regions in which we operate while ensuring the health and safety of our people and maintaining high standards of environmental performance.

Bathurst's commitment is backed by an investment of resources to manage social and environmental impacts.

Supply chain logistics

Cost effective access to markets for its products is essential. Bathurst works with transport service providers to achieve sustainable freight solutions. The company uses a combination of logistics channels to transport product from its mines to customers using the most efficient routes, depending on the locations of the mines and the end users.

Assessments of intermodal transport hubs are ongoing to ascertain not only the best routes to market for products, but also the most sustainable means of moving the bulk commodities required for the company's operations.

Integrated mine planning and maintenance management

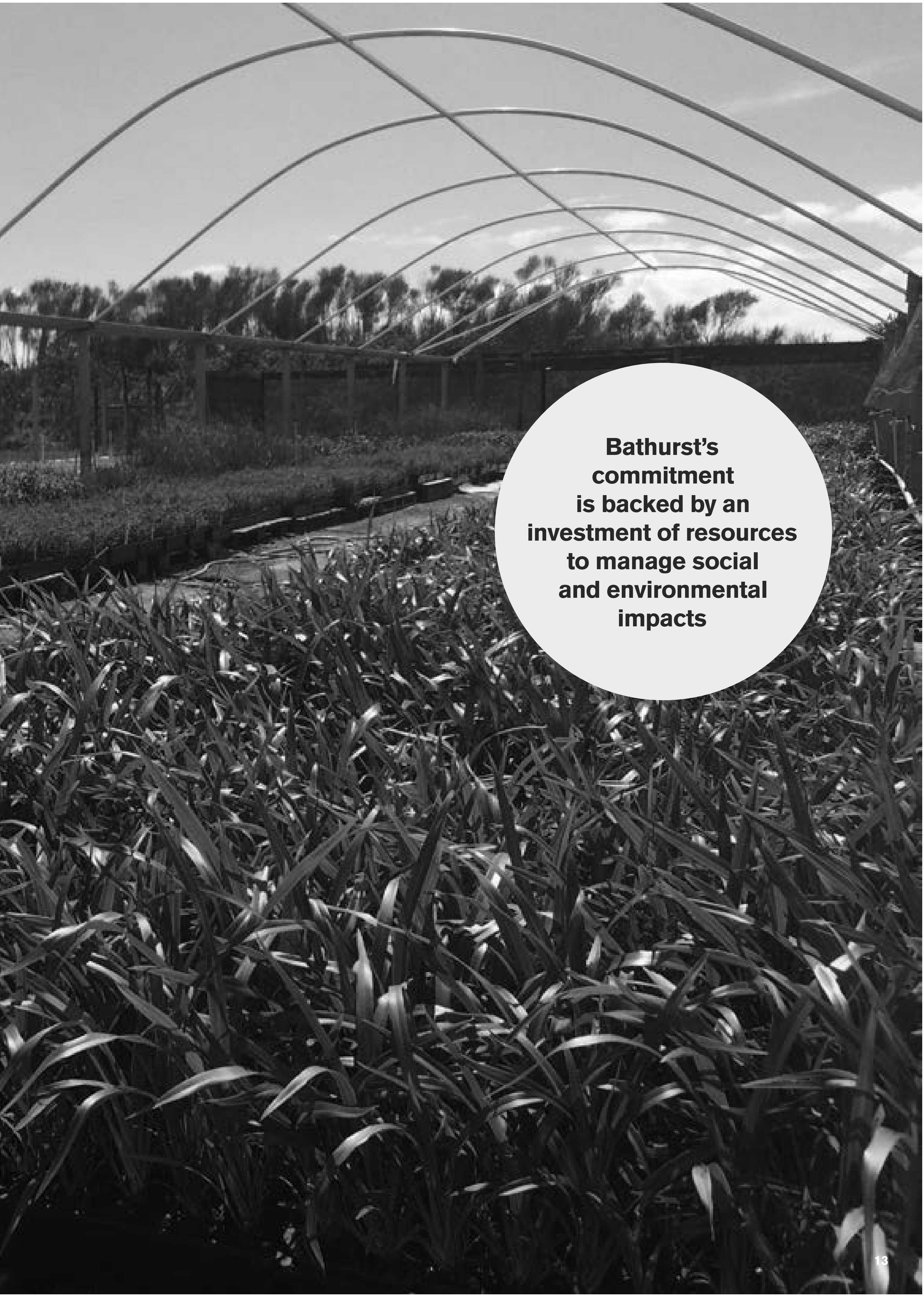
During the year Bathurst replaced the majority of its hired heavy vehicle fleet with owned equipment. This means the company is able to concentrate on the efficiencies of maintenance management for consumables such as diesel, and enables the coordination of mine plan road designs with specific truck capabilities, also leading to a reduction in diesel usage.

Responsible resource use

This was exemplified by the decision to place the west coast mines into care and maintenance. The coal from these mines is a quality coking coal with unique properties that are in high demand among overseas steelmakers. Rather than selling this product indiscriminately into markets that could accept a lesser quality coal, Bathurst has chosen to preserve the deposit, placing mining operations on hold until a sustained change in global market conditions means it can be matched to the requirements of the premium export markets. In this way, the company can realise the most effective use of the resource.

Risk tolerance

Bathurst recognises that risk management can not practically be about eliminating all risks; it is about identifying and responding to risks in a way that creates value for the company and its shareholders. It is recognised that Bathurst's risk strategy and risk tolerance level will be continually reassessed as the company implements its development strategy.



Bathurst's commitment is backed by an investment of resources to manage social and environmental impacts

Health and safety

A strong health and safety culture underpins all of Bathurst's operations. This is continually reinforced through training initiatives and updated standards and procedures introduced to minimise risks.

A major change to health and safety legislation took place during the year with the enactment of the *Health and Safety at Work Act 2015* in April. This included a series of new and revised associated regulations. For New Zealand, these were the most significant workplace health and safety reforms in 20 years, and were the result of a full review of health and safety practices following the Pike River mine tragedy.

Bathurst has welcomed the leadership shown by the New Zealand government in raising the profile of "Working Safer", where workers at all levels of the business share the responsibility for increasing awareness, knowledge and competence in managing workplace health and safety.

Bathurst is focused on continuing the journey to align its existing health and safety practices and behaviours with these major legislative reforms, which commenced with the introduction of the first new mining regulations. Since the 2015 implementation for existing operations, clear improvements have been made at Bathurst to address capacity and capability aspects in the workplace health and safety system.

A key focus this year was on more effective worker engagement and participation – **we want to talk more with our people**. Bathurst produced a new corporate standard to provide structure for its worker engagement methods, increased the number of health and safety representatives, increased the number of site safety meetings and commenced preparation for formal site health and safety committees regardless of the number of mine workers on site.

An important aspect of the new mining regulations was the requirement for increased training for mine managers and supervisors. Throughout the year, Bathurst's mine managers and supervisors underwent training to increase their knowledge of safety critical factors that affect the mining industry. Site senior executive roles were created at each mine site with completion of training (external and internal) being a prerequisite. Bathurst is upskilling its future managers and supervisors by implementing a development programme for obtaining new certificates of competency.

Bathurst was keenly involved in the development of Approved Codes of Practice (ACOPs) through participation in technical working committees and preparing submissions on the numerous draft ACOPs during the year. Bathurst supports the development of ACOPs to not only promote better health and safety outcomes, but also assist its understanding of compliance expectations.

Bathurst continued to update the existing health and safety systems appropriate to the scale and context of the company's operations (in line with AS/NZS 4804 Occupational Health and Safety Management Systems). In FY2016, the system development has included:

- A further ten new corporate standards to add to the existing 28 standards covering topics such as change management, positive communication and bullying and harassment
- Risk management training for all employees to assist with the operational integration of the Bathurst four level risk management system
- Advanced incident investigation training for managers and supervisors to ensure an understanding of how incidents occur, and how they can be prevented from occurring in the future.
- Training for senior managers and mine managers on key aspects of the legislative reforms such as risk management, occupational health and safety management systems, emergency management and legislation.

Environment

Respect for the environment is a core Bathurst value. The company is constantly employing initiatives to enhance its environmental performance to provide the best outcomes in its areas of operation.

In accordance with Bathurst's resource consent and access arrangement conditions, the company funds programmes on the Denniston Plateau and in the Heaphy catchment area to manage biodiversity values and threats.

The Denniston programme focuses on biodiversity threat management, including pest plant management and weed control coupled with pest control and the monitoring of native animal, bird and plant species. The Heaphy plan covers a wide range of biodiversity management, including biodiversity outcome monitoring, inventory and survey, and pest management and result monitoring.

During FY2016 efforts were also concentrated on:

- Rehabilitation of land at the Cascade and Takitimu mines
- The Wairio Creek diversion and subsequent rehabilitation at Takitimu, including fish translocation and riparian planting
- Investigations into acid mine drainage management and control methodologies at the Escarpment mine. These included geotechnical characterisation, and the installation of field lysimeters, outflow gauges and oxygen probes. Work was undertaken to measure the success of overburden dump construction techniques, such as reducing lift heights to provide increased compaction and the addition of ancillary neutralisation
- The completion of laboratory and field studies at the Canterbury mine to assist with improved extraction and emplacement procedures to reduce the potential for acid mine drainage and increase the final landform stability
- The transfer and propagation of significant plant species from Escarpment to the mine's nearby nursery to be maintained for future rehabilitation planting

Community

Bathurst places great emphasis on its relationships with the local communities where its operations are based.

The company is an important contributor to the regional economy in each of its areas of operation. This comes not only from payments to employees, suppliers and contractors but also through contributions from royalties and taxes.

Bathurst has a policy of hiring a local workforce rather than employing staff on a fly in/fly out basis, and fosters engagement with local councils, stakeholders and the community at large.

Where possible, Bathurst also contributes through sponsorships and donations. During FY2016 this included support for the Foundation for Youth Development (now the Graeme Dingle Foundation), the Ohai-Nightcaps Rugby Club, West Coast Plunket, the Mt Linton Muster and Buller High School Scholarships.

During 2016 Bathurst gave support to the Foundation for Youth Development, the Ohai-Nightcaps Rugby Club, West Coast Plunket, the Mt Linton Muster and Buller High School Scholarships

Our people

Jason Hungerford

Chief Financial Officer and Joint Company Secretary

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

Jason brings a commercial outlook to the business underpinned by a strong focus on risk, governance and financial control. He holds a Bachelor's degree in commerce and administration with a post-graduate Diploma in Professional Accounting. Jason is a member of Chartered Accountants Australia and New Zealand.

Jason was appointed chief financial officer in July 2015 and joint company secretary in June 2016.

Fiona Bartier

Group Manager – Health, Safety, Environment and Community

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

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

Before joining Bathurst, Fiona lived for 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). She joined Bathurst in 2012 and is based in the Wellington office.

Craig Pilcher

General Manager – Operations

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

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

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

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

Alison Brown

General Counsel

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

Left to right: Toko Kapea, Russell Middleton, Richard Tacon and Peter Westerhuis

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 2016.

Directors

The following persons were directors of Bathurst Resources Limited as at 30 June 2016.

Toko Kapea – Non-executive Chairman
Richard Tacon – Executive Director
Russell Middleton – Non-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
- The exploration and development of coal mining assets in New Zealand

Dividends

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

Environmental regulation

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

Mine development/mining activities

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

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

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

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

Exploration activities

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

Hazardous substances

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

Emissions Trading Scheme

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

Corporate governance

Bathurst's Corporate Governance Statement is available on the company's website

www.bathurstresources.co.nz/who-we-are/corporate-governance

Bathurst's Corporate Governance Statement is available on the company's website

www.bathurstresources.co.nz/who-we-are/corporate-governance

Information on directors

Mr Toko Kapea BA, LLB
Non-executive chairman

Experience and expertise

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

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

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

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

In January 2016 Mr Kapea was appointed to the board of government entity, Television New Zealand Limited.

Other current directorships of listed companies

Nil

Former directorships in last three years of listed companies

Nil

Special responsibilities

Chairman of the Remuneration and Nomination committee

Member of the Audit and Risk committee

Interests in shares and options

115,000 fully paid ordinary shares in Bathurst Resources Limited

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

Mr Richard Tacon
Executive director

Experience and expertise

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

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

Mr Tacon is chair of the Coal Association of New Zealand and sits on the board of the New Zealand Mines Rescue Trust and the Minerals Council West Coast.

After living and working in Australia for 32 years, he returned to New Zealand to take up the position of chief operating officer with Bathurst in 2012. He was appointed to the role of chief executive officer in March 2015 and was appointed to the board as executive director in April 2015.

Other current directorships of listed companies

Nil

Former directorships in last three years of listed companies

Nil

Special responsibilities

Chief executive officer

Member of the Health, Safety, Environment and Community committee

Interests in shares and options

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

5,000,000 unlisted performance rights over shares in Bathurst Resources Limited

Mr Russell Middleton MBA, BBus
Non-executive director

Experience and expertise

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

Based in Sydney, he is a non-executive director of Tiger Resources Limited. Mr Middleton is also a director of and company secretary for the children's charity, Day of Difference.

Starting his career as a public accountant, Mr Middleton has held senior management positions in accounting, commercial and planning roles. He undertook various roles with BHP before joining Shell, where he was commercial manager for the construction, development and production of a major underground mine. Mr Middleton was formerly chief financial officer of Hillgrove Resources Limited, an ASX listed resources company focused on developing base and precious metals projects.

Other current directorships of listed companies

Non-executive director Tiger Resources Limited (appointed 1 July 2016)

Former directorships in last three years of listed companies

Nil

Special responsibilities

Chairman of the Audit and Risk committee

Interests in shares and options

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

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

Peter Westerhuis MBA, BEng
Non-executive director

Experience and expertise

Mr Westerhuis is the CEO of Batchfire Resources Pty Limited, the company that secured the contract to purchase the Callide mine in Central Queensland. More recently he has been consulting to resources companies in Africa and South America. He also worked for 11 years at the Ensham Joint Venture developing and operating large, open cut and underground coal reserves in Queensland.

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

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

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

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

Other current directorships of listed companies

Nil

Former directorships in last three years of listed companies

Managing director – Guildford Coal Limited

February 2013 – October 2013

Special responsibilities

Chairman of the Health, Safety, Environment and Community committee

Member of the Remuneration and Nomination committee

Interests in shares and options

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

Other current directorships of listed companies

Nil

Former directorships in last three years of listed companies

Nil

Joint company secretaries

Bill Lyne

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

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

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

Mr Lyne was appointed company secretary in May 2015 and became joint company secretary in June 2016.

Jason Hungerford

Mr Hungerford was appointed joint company secretary in June 2016. (Refer profile on page 16).

Remuneration report

Role of the Remuneration and Nomination committee

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

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

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

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

Principles used to determine the nature and amount of remuneration

Non-executive directors

The fees paid and payments the company makes to its non-executive directors reflect the level of responsibility attributed to board members and the demands that are made on the directors' time. Non-executive directors' fees and payments are reviewed annually by the board. The fees paid to the chairman are determined independently of the fees of non-executive directors. The chairman is not present at any discussions relating to the determination of his own remuneration.

Directors' fees

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

The total remuneration and other benefits to directors for services in all capacities during the year ended 30 June 2016 was:

DIRECTOR	DIRECTOR'S FEES	SHORT TERM BENEFITS	SHARE BASED PAYMENTS	TOTAL
Mr T Kapea	$120,000	-	$8,250	$128,250
Mr R Tacon	-	$403,377	$151,351	$554,728
Mr R Middleton	$61,179	$270,643	$8,250	$340,072
Mr P Westerhuis	$61,179	-	$8,250	$69,429

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

Directors' securities interests

The interests of directors in securities of the company as at 30 June 2016 were:

DIRECTOR	ORDINARY SHARES	PERFORMANCE RIGHTS
Mr T Kapea	115,000	1,500,000
Mr R Tacon	5,976,596	5,000,000
Mr R Middleton	2,926,453	1,500,000
Mr P Westerhuis	-	1,500,000

Executive remuneration

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

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

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

The company believes that the policy for determining executives' remuneration is aligned with shareholders' interests because it focuses on sustained growth in shareholder wealth by pushing growth in share price and delivering constant returns on assets, as well as focusing the executive on key non-financial drivers of value. Most importantly, the company ensures that its remuneration policy attracts and retains high calibre executives, who in turn add value to the company and to the shareholders.

The company also believes that its remuneration policy for executives is aligned 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 within the group, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

The executive remuneration and reward framework has two components:

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

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

Base pay and benefits

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

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

Long-term incentives

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

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

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

Service agreements

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

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

Employees' remuneration

During the year ended 30 June 2016, 24 employees (excluding the chief executive officer) received individual remuneration over $100,000.

RANGE	# OF EMPLOYEES
$100,001 – 110,000	4
$110,001 – 120,000	3
$120,001 – 130,000	5
$130,001 – 140,000	1
$140,001 – 150,000	3
$170,001 – 180,000	2
$180,001 – 190,000	1
$220,001 – 230,000	1
$250,001 – 260,000	1
$290,001 – 300,000	1
$310,001 – 320,000	1
$640,001 – 650,000	1

The interests of the current company officers (excluding the chief executive officer) in securities of the company at 30 June 2016 were nil.

Donations

The company made donations totalling $11,950 to:

- Fostering Kids
- Foundation for Youth Development (now Graeme Dingle Foundation)
- Ohai-Nightcaps Rugby Club
- Heart Kids NZ
- Southland family donations
- West Coast Plunket.

Directors' and officers' liability insurance

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

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

Section

02

Financial statements

Contents

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

Toko Kapea
Chairman, 29 August 2016

Russell Middleton
Director, 29 August 2016

Consolidated income statement

For the year ended 30 June 2016

	NOTES	GROUP 2016 $'000	GROUP 2015 $'000
Revenue	3	50,879	51,289
Less: cost of sales	4	(40,356)	(43,908)
Gross profit		**10,523**	**7,381**
Other income		460	244
Depreciation	14	(4,330)	(7,543)
Administrative and other expenses	5	(6,541)	(12,318)
Fair value gain/(loss) on deferred consideration	20	2,175	(615)
Gain/(loss) on disposal of fixed assets		122	(1,160)
Impairment losses	9	(100)	(1,171)
Share of joint venture profit		(28)	36
Finance (cost)/income – net	7	(1,250)	(1,260)
Profit/(loss) before income tax		**1,031**	**(16,406)**
Income tax benefit	8	-	-
Profit/(loss)		**1,031**	**(16,406)**
Total profit/(loss) attributable to the owners of Bathurst Resources Limited		**1,031**	**(16,406)**
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
		CENTS	CENTS
Basic earnings per share	24	0.11	(1.73)
Diluted earnings per share	24	0.11	(1.73)

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

Consolidated statement of comprehensive income

For the year ended 30 June 2016

	NOTES	GROUP 2016 $'000	GROUP 2015 $'000
Profit/(loss)		1,031	(16,406)
Other comprehensive income/(loss), net of tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation		(14)	58
Total comprehensive income/(loss) for the year, net of tax		**1,017**	**(16,348)**
Total comprehensive income/(loss) attributable to the Owners of Bathurst Resources Limited		1,017	(16,348)

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

Consolidated balance sheet

As at 30 June 2016

	NOTES	GROUP 2016 $'000	GROUP 2015 $'000
ASSETS			
Current assets			
Cash and short term deposits	10	5,953	5,235
Trade and other receivables	11	2,777	4,114
Inventories	12	1,901	1,190
Intangible assets – New Zealand emission units		313	89
Other financial assets current		20	20
Assets held for sale	13	790	–
Total current assets		**11,754**	**10,648**
Non-current assets			
Property, plant and equipment	14	11,948	17,152
Mining licences, properties, exploration and evaluation assets	15	20,127	22,498
Other financial assets		154	147
Total non-current assets		**32,229**	**39,797**
Total assets		**43,983**	**50,445**
LIABILITIES			
Current liabilities			
Trade and other payables	18	5,167	5,572
Borrowings – current	19	2,563	8,549
Deferred consideration urrent	20	873	1,730
Provisions – current	21	350	627
Total current liabilities		**8,953**	**16,478**
Non-current liabilities			
Trade and other payables	18	287	430
Borrowings	19	2,577	461
Deferred consideration	20	8,796	10,883
Provisions	21	3,419	3,274
Total non-current liabilities		**15,079**	**15,048**
Total liabilities		**24,032**	**31,526**
Net assets		**19,951**	**18,919**
EQUITY			
Contributed equity	22	247,378	247,378
Reserves	23	(32,862)	(30,872)
Accumulated losses		(194,565)	(197,587)
Total equity		**19,951**	**18,919**

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

Toko Kapea
Chairman
29 August 2016

Russell Middleton
Director
29 August 2016

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

Consolidated statement of changes in equity

For the year ended 30 June 2016

GROUP	CONTRIBUTED EQUITY $'000	SHARE BASED PAYMENT RESERVE $'000	FOREIGN EXCHANGE TRANSLATION RESERVE $'000	RETAINED EARNINGS $'000	RE-ORGANISATION RESERVE $'000	TOTAL EQUITY $'000
Balance at 1 July 2014	**247,338**	**1,233**	**(198)**	**(181,354)**	**(32,760)**	**34,259**
Loss for the year	-	-		(16,406)	-	**(16,406)**
Other comprehensive income			58			**58**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	40	-	-	-	-	**40**
Share based payments expense	-	968	-	-	-	**968**
Conversion of performance rights	-	(173)	-	173	-	**-**
Balance at 30 June 2015	**247,378**	**2,028**	**(140)**	**(197,587)**	**(32,760)**	**18,919**
Balance at 1 July 2015	**247,378**	**2,028**	**(140)**	**(197,587)**	**(32,760)**	**18,919**
Profit for the year				1,031		**1,031**
Other comprehensive loss			(14)			**(14)**
Transactions with owners in their capacity as owners:						
Share based payments expense	-	15	-	-	-	**15**
Conversion of performance rights and transfer of reserves	-	(1,991)	-	1,991	-	**-**
		(1,976)		**1,991**		**15**
Balance at 30 June 2016	**247,378**	**52**	**(154)**	**(194,565)**	**(32,760)**	**19,951**

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

Consolidated statement of cash flows

For the year ended 30 June 2016

	NOTES	GROUP 2016 $'000	GROUP 2015 $'000
Cash flows from operating activities			
Receipts from customers		52,870	50,284
Payments to suppliers and employees		(42,473)	(48,721)
Interest received		99	161
Interest and other finance costs paid		(255)	(748)
Net cash inflow from operating activities	26	10,241	976
Cash flows from investing activities			
Payments for exploration & consenting expenditure		(972)	(344)
Payments for mining assets (including elevated stripping)		(4,050)	(3,366)
Payments for property, plant and equipment		(382)	(1,135)
Proceeds from disposal of property, plant and equipment		463	3,361
Restricted deposits released from financial institutions		143	520
Payments of deferred consideration		(1,603)	-
Net cash (outflow) from investing activities		(6,401)	(964)
Cash flows from financing activities			
Proceeds from the issue of shares		-	140
Repayment of borrowings		(2,980)	(3,139)
Payments for share issue costs		-	(99)
Net cash outflow from financing activities		(2,980)	(3,098)
Net increase/(decrease) in cash and cash equivalents		860	(3,086)
Cash and cash equivalents at the beginning of the 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 year	10	3,325	2,465

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

Notes to the financial statements

For the year ended 30 June 2016

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"). Bathurst Resources Limited is a 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.

These financial statements have been approved for issue by the Board of Directors on 29 August 2016.

The financial statements presented herewith as at and for the year ended 30 June 2016 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

Statement of compliance

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

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

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

C. Measurement basis

These financial statements have been prepared under the historical cost convention, except certain financial assets and liabilities 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 entity and that are believed to be reasonable under the circumstances.

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

(i) Impairment

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

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

(ii) Valuation of deferred consideration

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

The carrying amount of deferred consideration is set out in note 20.

(iii) Reserves & Resources

Reserves and resources are based on information compiled by a Competent Person as defined in accordance with the Australasian Code of Mineral Resources and Ore Reserves of 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.

(iv) Provision for rehabilitation

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

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

The carrying amount of the rehabilitation provision is set out in Note 21.

(v) Waste in advance

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

(vi) Correction of error in movements in property, plant and equipment

Cost, depreciation and impairment have been restated as at and for the year ended 30 June 2015. The restatement is to correct the classification of certain movements within fixed assets categories in 2014 and 2015. This restatement has no impact on the closing net book value for 2015 or on the opening net book value as at 30 June 2014.

The impact on property plant and equipment in 2014 and 2015 is as follows;

	FREEHOLD LAND $'000	BUILDINGS $'000	MINE INFRASTRUCTURE $'000	PLANT & MACHINERY $'000	FURNITURE, FITTINGS AND EQUIPMENT $'000	OTHER $'000	WORK IN PROGRESS $'000	TOTAL $'000
Net book value 30 June 2014 (before restatement)	11,975	818	2,630	6,953	636	277	97	23,386
Reclassification	1,126	-	(984)	399	(264)	(277)	-	-
Net book value 30 June 2014 (after restatement)	**13,101**	**818**	**1,646**	**7,352**	**372**	**-**	**97**	**23,386**
Net book value 30 June 2015 (before restatement)	8,103	892	2,511	4,468	568	225	385	17,152
Reclassification	1,751	-	(1,708)	423	(256)	(225)	15	-
Net book value 30 June 2015 (after restatement)	**9,854**	**892**	**803**	**4,891**	**312**	**-**	**400**	**17,152**

E. Principles of consolidation

Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

Joint arrangements

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

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

Notes to the financial statements

For the year ended 30 June 2016

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F. Foreign currency translation

(i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(ii) Group companies

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

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

G. Revenue recognition

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

(i) Sale of goods

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

(ii) Freight income

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

(iii) Interest income

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

H. Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting 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 entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

I. Inventories

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

J. Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and short term deposits, other financial assets, 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 with maturities greater than 12 months after the reporting period which are classified as non-current assets.

Management determines the classification of its investments at initial recognition.

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

Cash and cash equivalents

Cash and cash equivalents in note 10 comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, and excluding restricted cash deposits.

Trade receivables

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

Trade and other payables

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

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

Deferred consideration

The fair value of deferred consideration payments is determined at acquisition date. Subsequent changes to the fair value of the deferred consideration are recognised through the income statement. The portion of the fair value adjustment due to the time value of money (unwinding of discount) is recognised as a finance cost. For further information on deferred consideration refer to note 20.

Borrowings

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

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

(ii) Derivative financial instruments

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

K. Impairment

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

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

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

Notes to the financial statements

For the year ended 30 June 2016
(continued)

Non-financial assets

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

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

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

L. Property, plant and equipment

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

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

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

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

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

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

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

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

M. Exploration and evaluation expenditure

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

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

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

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

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

N. Mining and development properties

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

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

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

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

O. Waste in advance

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

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

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

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

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

P. Provisions

Provision for rehabilitation

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

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

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

Q. Share-based payments

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

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

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

R. Leases

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

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

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

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

S. Intangible assets – emissions trading units

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

T. Goods and Services Tax

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

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

Notes to the financial statements

For the year ended 30 June 2016

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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

Certain new standards, amendments and interpretations to existing standards have been issued that are not yet mandatory for accounting periods beginning on or after 1 July 2015. The Group has not early adopted:

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

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

(ii) NZ IFRS 15, Revenue from contracts with customers

Effective for periods beginning on or after 1 January 2018. The standard introduces principles for reporting cohesive and useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

(iii) NZ IFRS 16, Leases

Effective for periods beginning on or after 1 January 2019. The standard removes the classification of leases as either operating or finance leases – for the lessee – effectively treating all leases as finance leases.

The Group expects to adopt the above standards in the year in which they become mandatory. The Group is assessing the potential impact on the financial statements in adopting these standards.

Y. Standards and Interpretations adopted during the year

The financial information presented for the year ended 30 June 2016 has been prepared on the basis of accounting policies and methods of computation consistent with those applied in the 30 June 2015 financial statements contained within the 2015 Annual Report of Bathurst Resources Limited.

2. Segment information

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

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

All other operations of the Group are classified within "Corporate" section of the segment note which encompasses the administration and treasury management of the Group.

Revenue is not presented to the chief operating decision maker on a segmented basis, instead it is presented as a sales function across the Group. Total revenue for the year ended 30 June 2016 totalled $50.9m (2015: $51.3m).

Total assets and total liabilities are reported on a group basis and are not provided internally on a segmented basis. Total assets and liabilities as at 30 June 2016 total $44.0m (30 June 2015: $50.4m) and $24.0m (30 June 2015: $31.5m) respectively.

Two Bathurst customers met the reporting threshold of 10 percent of Bathurst's operating revenue in the year to 30 June 2016.

Segment information provided to the Board

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

GROUP – 30 JUNE 2016	BULLER COAL $'000	EASTERN COAL $'000	CORPORATE $'000	TOTAL $'000
EBITDA	6,242	11,502	(4,244)	13,500
Profit before tax	**5,712**	**244**	**(4,925)**	**1,031**
Profit before tax includes:				
Net impairment losses/reversals	(3)	(97)	-	(100)
Depreciation and amortisation	(257)	(10,866)	(97)	(11,220)
GROUP – 30 JUNE 2015	**BULLER COAL $'000**	**EASTERN COAL $'000**	**CORPORATE $'000**	**TOTAL $'000**
EBITDA	1,984	8,284	(10,745)	(477)
Loss before tax	**(2,327)**	**(3,625)**	**(10,454)**	**(16,406)**
Loss before tax includes:				
Net impairment losses/reversals	(1,246)	218	(143)	(1,171)
Depreciation and amortisation	(3,059)	(11,528)	(81)	(14,668)

3. Sales revenue

	GROUP 2016 $'000	GROUP 2015 $'000
Coal sales	36,981	36,652
Freight	13,898	14,637
Sales Revenue	**50,879**	**51,289**

4. Cost of sales

	GROUP 2016 $'000	GROUP 2015 $'000
Raw materials, mining costs, and consumables used	12,632	15,635
Freight costs	13,060	13,047
Mine labour costs	8,705	7,842
Amortisation expenses	6,890	7,125
Changes in inventories of finished goods and work in progress	(931)	259
Total cost of sales	**40,356**	**43,908**

Notes to the financial statements

For the year ended 30 June 2016

(continued)

5. Administrative and other expenses

Administrative and other expenses includes the following items:

	GROUP 2016 $'000	GROUP 2015 $'000
Audit and review fees	172	172
Directors fees	248	259
Legal fees	542	483
Consultants	1,133	1,128
Employee benefit expense	2,210	5,440
Rent	307	439
Share based payments expense	15	968

6. Remuneration of auditors

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

	GROUP 2016 $'000	GROUP 2015 $'000
Audit and review of financial statements	170	170
Share registry audit	2	2
Total remuneration for auditors	**172**	**172**

7. Finance (costs)/income

	NOTES	GROUP 2016 $'000	GROUP 2015 $'000
Interest income		81	196
Foreign exchange gain		3	-
Total finance income		**84**	**196**
Interest expense		(335)	(950)
Foreign exchange loss		(5)	(50)
Provisions: unwinding of discount	21	(173)	(262)
Deferred consideration: unwinding of discount	20	(821)	(194)
Total finance costs		**(1,334)**	**(1,456)**
Finance (cost)/income – net		**(1,250)**	**(1,260)**

8. Income tax benefit

	GROUP 2016 $'000	GROUP 2015 $'000
(a) Income tax benefit		
Current tax	1,111	–
Deferred tax	(1,111)	–
Income tax benefit	**-**	**–**
(b) Numerical reconciliation of income tax benefit to prima facie tax payable		
Profit/(loss) before income tax	1,031	(16,406)
Tax at the standard New Zealand rate of 28%	289	(4,594)
Tax effect of amounts that are not deductible / (assessable) in calculating taxable income:		
Share based payment expense	4	271
Fair value gain/(loss) on deferred consideration	(609)	244
Deferred consideration: unwinding of discount	230	(17)
Tax losses not recognised	17	1,728
Deferred tax (recognised) /not recognised (1)	(100)	2,596
Impairment losses recognised	-	(304)
Sundry items	169	76
Income tax benefit	**-**	**–**

(1) Further information relating to deferred tax is set out in note 17.

Imputation credits

	GROUP 2016 $'000	GROUP 2015 $'000
New Zealand imputation credit account		
Available for use in future periods	**815**	**1,061**

9. Impairment losses

	NOTES	GROUP 2016 $'000	GROUP 2015 $'000
Impairment of exploration and evaluation assets	15	374	287
Impairment of mining assets	15	-	2,622
Impairment of plant, property and equipment	14	97	853
Reversal of impairment		(608)	(6,015)
Impairment of other assets		237	3,424
Total impairment losses		**100**	**1,171**

Notes to the financial statements

For the year ended 30 June 2016

(continued)

Management has assessed the cash generating units 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 has had established domestic markets which allow a profitable operation without relying on the infrastructure to be built for the Buller Coal Project.

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

Bathurst Domestic Coal

The recoverable amount of CGU future cash flows has been assessed as higher than the carrying value therefore no impairment has been recorded as at 30 June 2016.

Buller Coal Project

The Buller Coal Project is subject to movements in the international coking coal market. Coking coal prices have experienced a reduction in recent years which has impacted on the potential value of the Buller Coal Project. The Buller Coal Project was fully impaired in the year ended 30 June 2015 and remains fully impaired at 30 June 2016.

Cascade Mine

The Cascade mine was placed on care and maintenance during the period. The only remaining assets attributable to this CGU are low levels of inventory which is held at the lower of cost and net realisable value.

Assumptions

The sales price per tonne used in the valuation models has been based on current contractual arrangements. Production levels have been based on the Board approved operating plan which, for the Buller Project, reflects the current status on care and maintenance. As the majority of all production is matched to contracted sales, the sensitivity of pricing movements for non-contracted volumes is immaterial.

The discount rate is required to reflect the time value of money as well as the asset risk profile. The model assumes a post-tax rate of 11.48% (2015: 11:19%). The recoverable value has been determined using discounted cash flows under the fair value less costs to sell methodology.

10. Cash and short term deposits

	GROUP 2016 $'000	GROUP 2015 $'000
Cash at bank and on hand	3,325	2,465
Cash and cash equivalents	**3,325**	**2,465**
Restricted short term deposits (1)	2,628	2,770
Total cash and short term deposits	**5,953**	**5,235**

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

11. Trade and other receivables

	GROUP 2016 $'000	GROUP 2015 $'000
Trade receivables	3,049	4,667
Less: provision for impairment of receivables	(500)	(785)
	2,549	**3,882**
Prepayments and other receivables	228	232
Total trade and other receivables	**2,777**	**4,114**

12. Inventories

	GROUP 2016 $'000	GROUP 2015 $'000
Raw materials and stores	857	332
Finished goods	1,010	824
Other	34	34
Total inventories	**1,901**	**1,190**

13. Assets held for sale

	GROUP 2016 $'000	GROUP 2015 $'000
Current		
Assets held for sale	790	-
	790	**-**

Assets held for sale include a residential property subject to a conditional sale and purchase agreement and some heavy machinery listed for sale. The carrying value of both assets will be recovered through a sale transaction in the next 12 months rather than through continuing use.

Notes to the financial statements

For the year ended 30 June 2016

(continued)

14. Property, plant and equipment

	FREEHOLD LAND $'000	BUILDINGS $'000	MINE INFRASTRUCTURE $'000	PLANT & MACHINERY $'000	FURNITURE, FITTINGS AND EQUIPMENT $'000	WORK IN PROGRESS $'000	TOTAL $'000
As at 30 June 2014 (restated[1])							
Cost	24,851	6,437	2,577	14,828	2,009	12,399	**63,101**
Accumulated depreciation & impairment	(11,750)	(5,619)	(931)	(7,476)	(1,637)	(12,302)	**(39,715)**
Net book value	**13,101**	**818**	**1,646**	**7,352**	**372**	**97**	**23,386**
Year ended 30 June 2015 (restated[1])							
Opening net book value	13,101	818	1,646	7,352	372	97	**23,386**
Additions	327	165	-	472	110	303	**1,377**
Depreciation	(4,076)	(73)	(767)	(2,466)	(161)	-	**(7,543)**
Impairment recognised	(327)	(18)	(76)	(423)	(9)	-	**(853)**
Impairment reversed	5,375	702	-	-	-	178	**6,255**
Assets held for sale and other disposals	(4,546)	(702)	-	(44)	-	(178)	**(5,470)**
Closing net book value	**9,854**	**892**	**803**	**4,891**	**312**	**400**	**17,152**
As at 30 June 2015 (restated[1])							
Cost	20,633	5,852	2,577	15,255	2,127	12,524	**58,968**
Accumulated depreciation & impairment	(10,779)	(4,960)	(1,774)	(10,364)	(1,815)	(12,124)	**(41,816)**
Net book value	**9,854**	**892**	**803**	**4,891**	**312**	**400**	**17,152**
Year ended 30 June 2016							
Opening net book value	**9,854**	**892**	**803**	**4,891**	**312**	**400**	**17,152**
Additions	-	15	15	4,615	49	18	**4,712**
Transfers	-	-	82	300	16	(398)	**-**
Depreciation	(2,509)	(111)	(471)	(1,090)	(149)	-	**(4,330)**
Impairment recognised	-	-	(82)	(15)	-	-	**(97)**
Impairment reversed	720	-	-	61	-	-	**781**
Assets held for sale and other disposals	(6,095)	-	-	(164)	(9)	(2)	**(6,270)**
Closing net book value	**1,970**	**796**	**347**	**8,598**	**219**	**18**	**11,948**
As at 30 June 2016							
Cost	14,538	5,867	2,675	19,526	2,163	12,142	**56,911**
Accumulated depreciation & impairment	(12,568)	(5,071)	(2,328)	(10,928)	(1,944)	(12,124)	**(44,963)**
Net book value	**1,970**	**796**	**347**	**8,598**	**219**	**18**	**11,948**

[1] refer to Note 1 D. (vi)

Included in plant and machinery above are the following amounts where the group is a lessee under a finance lease:

	GROUP 2016 $'000	GROUP 2015 $'000
Cost	5,037	644
Accumulated depreciation	(766)	(218)
Net book value	**4,271**	**426**

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

EXPLORATION, AND EVALUATION ASSETS	GROUP 2016 $'000	GROUP 2015 $'000
Opening balance	650	589
Expenditure capitalised	969	348
Impairment recognised	(374)	(287)
Total exploration and evaluation assets	**1,245**	**650**
Mining licences and property assets		
Opening balance	21,848	15,577
Expenditure capitalised	-	13,941
Amortisation	(6,890)	(7,125)
Abandonment provision movement	93	594
Waste moved in advance capitalised	3,831	1,483
Impairment recognised	-	(2,622)
Total mining licences and property assets	**18,882**	**21,848**
Total mining licences, property, exploration and evaluation assets	**20,127**	**22,498**

16. Investment in subsidiaries

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

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING	
			2016 %	2015 %
BR Coal Pty Limited	Australia	Ordinary	100	100
Bathurst New Zealand Limited	New Zealand	Ordinary	100	100
Bathurst Coal Holdings Limited	New Zealand	Ordinary	100	100
Buller Coal Limited	New Zealand	Ordinary	100	100
Bathurst Coal Limited	New Zealand	Ordinary	100	100
New Brighton Collieries Limited	New Zealand	Ordinary	100	100

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

Notes to the financial statements

For the year ended 30 June 2016

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17. Deferred tax asset/(liabilities)

	GROUP 2016 $'000	GROUP 2015 $'000
The balance comprises temporary differences attributable to:		
Tax losses	14,010	15,791
Employee benefits	184	244
Provisions	1,246	1,311
Mining licences	16,422	16,195
Exploration and evaluation expenditure	1,446	1,614
Property, plant and equipment	8,003	7,442
Total deferred tax assets	**41,311**	**42,597**
Waste moved in advance	(1,057)	(1,654)
Total deferred tax liabilities	**(1,057)**	**(1,654)**
Net deferred tax asset not recognised	(40,254)	(40,943)
Net deferred tax asset/(liability)	**-**	**–**

The Group has not recognised a net deferred tax asset of $40.2m (2015: $40.9m) on the basis that it is not probable these losses will be utilised in the foreseeable future.

18. Trade and other payables

	GROUP 2016 $'000	GROUP 2015 $'000
Current		
Trade payables	2,484	2,597
Accruals	1,448	1,580
Employee benefit payable	854	1,070
Other payables	381	325
	5,167	**5,572**
Non-Current		
Other payables	287	430
Total trade and other payables	**5,454**	**6,002**

19. Borrowings

	GROUP 2016 $'000	GROUP 2015 $'000
Current		
Secured		
Bank loans	1,439	2,471
Property loans	-	5,865
Lease liabilities	1,124	213
	2,563	**8,549**
Non-current		
Secured		
Bank loans	-	363
Lease liabilities	2,577	98
	2,577	**461**
Total borrowings	**5,140**	**9,010**

Included above is a finance facility with Westpac New Zealand Limited for the acquisition of a new mining fleet. The total amount available and drawn on that facility as at 30 June 2016 was $1.0 million (2015:$2 million). The current term of the facility is five years which is reviewed annually by Westpac New Zealand Limited and may be terminated at any time.

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

The Group also has with Westpac New Zealand Limited a term loan of $0.4 million (2015:$0.7 million) and bank overdraft facilities which were unused at 30 June 2016 and 2015. These facilities have various covenants in place.

Notes to the financial statements

For the year ended 30 June 2016

(continued)

(a) Security

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

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

	GROUP 2016 $'000	GROUP 2015 $'000
Current		
General Security Agreement		
Cash and cash equivalents	52	54
Receivables	481	72
Inventories	1,647	1,126
Intangible assets – New Zealand emission units	313	89
Total current assets pledged as security	**2,493**	**1,341**
Non-current		
First and exclusive mortgage		
Freehold land and buildings	1,133	1,133
Finance lease		
Plant and equipment	4,271	426
General Security Agreement		
Plant and equipment	6,519	9,941
Total non-current assets pledged as security	**11,923**	**11,500**
Total assets pledged as security	**14,416**	**12,841**

(b) Fair value

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

(c) Finance leases liabilities

Finance lease liabilities are payable as follows.

GROUP	FUTURE MINIMUM LEASE PAYMENTS 2016 $'000	INTEREST 2016 $'000	PRESENT VALUE OF MINIMUM LEASE PAYMENTS 2016 $'000	FUTURE MINIMUM LEASE PAYMENTS 2015 $'000	INTEREST 2015 $'000	PRESENT VALUE OF MINIMUM LEASE PAYMENTS 2015 $'000
Less than one year	1,256	132	1,124	231	18	213
Between one and five years	2,733	156	2,577	112	14	98
More than five years	-	-	-	-	-	-
	3,989	**288**	**3,701**	**343**	**32**	**311**

20. Deferred consideration

	GROUP 2016 $'000	GROUP 2015 $'000
Current		
Acquisition of subsidiary deferred consideration	873	1,730
Non-current		
Acquisition of subsidiary deferred consideration	8,796	10,883
Total deferred consideration	**9,669**	**12,613**
Movement		
Opening balance	12,613	2,891
Unwinding of discount	821	194
Fair value adjustment to deferred consideration	(2,175)	615
Addition upon acquisition of New Brighton Collieries Limited	-	9,103
Consideration paid during the year	(1,590)	(190)
Closing balance	**9,669**	**12,613**

(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 USD$40,000,000 (performance payments), the first being payable upon 25,000 tonnes of coal being shipped from the Buller Coal Project and the second payable upon 1 million tonnes of coal being shipped from the Buller Coal Project.

The 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. The option to pay a higher royalty rate has been assumed in the valuation and recognition of deferred consideration. This also reflects the current status of the mine on care and maintenance.

The fair value of any future royalty payments is estimated using a discount rate based upon the latest New Zealand 10 year government bond rate, sales profile, and forecasted domestic coal prices.

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

Payment timing

The construction coal mined at Escarpment has triggered the first performance payment. This is not payable as the higher royalty election has been made and royalties have been paid in the current year.

The Escarpment mine is currently on care and maintenance with low level sales expected from existing stock piles.

Security

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

Notes to the financial statements

For the year ended 30 June 2016

(continued)

(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. A reasonable change in discount rate does not have a material impact on the deferred consideration.

(c) Details on deferred consideration – 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 10 year government bond rate of 8.37% (2015: 6.63%), projected production profile, and forecast domestic coal prices.

A 1% increase or decrease in the discount rate used would decrease or increase the deferred consideration balance by $0.4m and $0.5m, respectively (2015: $0.5m and $0.6m respectively).

Security

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

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

21. Provisions

	GROUP 2016 $'000	GROUP 2015 $'000
Current		
Rehabilitation	295	247
Restructuring provision	55	380
	350	**627**
Non-current		
Rehabilitation	3,419	3,274
Total provisions	**3,769**	**3,901**
Rehabilitation provision movement		
Opening balance	3,521	3,129
Change recognised in the mining and property asset	92	594
Change due to passage of time (unwinding of discount)	173	262
Other changes recognised in the income statement	(72)	(464)
Closing balance	**3,714**	**3,521**

Rehabilitation provision

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

Restructuring provision

Provision has been made for planned redundancies in response to placing the Escarpment mine on care and maintenance. A detailed formal plan is in place and was largely completed by 30 June 2016. Announcement has been made to those affected.

22. Contributed equity

	GROUP 2016 NUMBER OF SHARES 000S	GROUP 2015 NUMBER OF SHARES 000S
Ordinary fully paid shares	964,483	947,828
	964,483	**947,828**
Movement		
Opening balance	947,828	944,932
Issue of shares [1]	16,500	2,146
Exercise of options and conversion of performance rights [2]	154	750
Closing balance	**964,483**	**947,828**

[1] During the period, the Company issued 5m shares to the current executive director and CEO as a sign on incentive and 11.5m shares in termination benefits to former executives.

[2] Further information is set out in note 25.

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.

23. Reserves

	GROUP 2016 $'000	GROUP 2015 $'000
Share based payment reserve	52	2,028
Foreign exchange translation reserve	(154)	(140)
Re-organisation reserve	(32,760)	(32,760)
Total reserves	**(32,862)**	**(30,872)**

Nature and purpose of reserves

Share based payment reserve

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

Foreign exchange translation reserve

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

Reorganisation reserve

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

Notes to the financial statements

For the year ended 30 June 2016

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24. Earnings per share

	GROUP 2016 CENTS	GROUP 2015 CENTS
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the company	0.11	(1.73)
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the company	0.11	(1.73)
	$'000	**$'000**
(c) Reconciliation of earnings used in calculating earnings per share		
Earnings used in the calculation of basic and dilutive Earnings per share:		
Earnings from continued operations	1,031	(16,406)
Total earnings	**1,031**	**(16,406)**
	NUMBER OF SHARES 000S	**NUMBER OF SHARES 000S**
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares during the period used in the calculation of basic earnings per share	958,360	947,657
Adjustments for calculation of diluted earnings per share:		
Options and performance rights	9,500	154
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**967,860**	**947,812**

25. Share-based payments

(a) Employee long term incentive plan

The Bathurst Resources Limited Long Term Incentive Plan (LTIP) was first approved by Shareholders at the 2012 AGM. Amendments to the plan were approved 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, by aligning and linking the interests of Bathurst's leadership team and Shareholders, and to attract and retain key executives.

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

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

Share based payments are recognised based on the fair value of performance rights offered to eligible participants at the grant date.

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

The assessed fair value at issue date of performance rights issued during the year ended 30 June 2016 is AUD$0.00832 per performance right. No performance rights were granted in 2015.

The exercise price of all performance rights is nil.

Performance Rights (LTIP)

GRANT DATE	VESTING DATE	OUTSTANDING AT THE BEGINNING OF THE PERIOD 000S	ISSUED DURING THE PERIOD 000S	EXERCISED DURING THE PERIOD 000S	OUTSTANDING AT THE END OF THE PERIOD 000S	EXERCISABLE AT THE END OF THE PERIOD 000S
27-Mar-13	30-Jun-15	154	–	(154)	–	–
22-Jan-16	30-Jun-18	–	9,500	–	9,500	–
		154	**9,500**	**(154)**	**9,500**	**–**

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

	GROUP 2016 $'000	GROUP 2015 $'000
Profit/(loss) before income tax	1,031	(16,406)
Depreciation and amortisation expense	11,220	14,668
Gain/(loss) on disposal of property, plant and equipment	(122)	1,160
Share based payments expense	15	968
Fair value adjustment to deferred consideration	(2,175)	615
Impairment losses	100	1,171
Unwinding of discount	821	194
Unwinding of rehabilitation asset	173	262
Other non-cash items	254	164
Change in working capital	(1,076)	(1,820)
Cash flow from operating activities	**10,241**	**976**

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's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

The Group had minimal exposure to foreign currency risk at the end of the reporting period.

(b) Credit risk

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

Financial instruments which potentially subject the Group to credit risk consist primarily of cash and cash equivalents, 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 is its carrying value.

Notes to the financial statements

For the year ended 30 June 2016

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(c) Liquidity risk

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

Maturities of financial liabilities

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

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

GROUP – 30 JUNE 2016	LESS THAN 6 MONTHS $'000	6 – 12 MONTHS $'000	BETWEEN 1 AND 2 YEARS $'000	BETWEEN 2 AND 5 YEARS $'000	OVER 5 YEARS $'000	TOTAL CONTRACTUAL CASH FLOWS $'000	CARRYING VALUE $'000
Trade and other payables	5,167	-	287	-	-	**5,454**	**5,454**
Borrowings (excl finance leases)	696	679	110	-	-	**1,485**	**1,439**
Finance leases	723	533	1,054	1,679	-	**3,989**	**3,701**
Deferred consideration	416	457	1,480	4,657	8,241	**15,251**	**9,669**
Total	**7,002**	**1,669**	**2,931**	**6,336**	**8,241**	**26,179**	**20,263**
GROUP – 30 JUNE 2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade and other payables	5,429	143	143	287	-	**6,002**	**6,002**
Borrowings (excl finance leases)	6,927	713	1,375	109	-	**9,124**	**8,699**
Finance leases	182	49	105	7	-	**343**	**311**
Deferred consideration	969	761	1,518	4,722	10,461	**18,431**	**12,613**
Total	**13,507**	**1,666**	**3,141**	**5,125**	**10,461**	**33,900**	**27,625**

At 30 June 2016 the Group had no derivatives to settle (2015: nil).

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

(e) Fair value measurements

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

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

(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.

(f) Financial instruments by category

	GROUP 2016 $'000	GROUP 2015 $'000
Financial Assets		
Loans and receivables		
Cash and short term deposits	5,953	5,235
Trade and other receivables	2,761	4,021
Other financial assets	174	167
Total	**8,888**	**9,423**
Financial Liabilities		
Amortised cost		
Trade and other payables	5,454	6,002
Borrowings	5,140	9,010
Fair value		
Deferred consideration	9,669	12,613
Total	**20,263**	**27,625**

28. Related party transactions

(a) Parent entity

The parent entity within the Group is Bathurst Resources Limited.

(b) Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the subsidiaries listed in note 16.

(c) Key management personnel

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

Key management personnel compensation for the year is set out below:

GROUP	SHORT TERM BENEFITS $000'S	SHARE BASED PAYMENTS $000'S	TERMINATION BENEFITS $000'S	TOTAL $000'S
30 June 2016				
Management	1,163	284	289	1,736
Directors	248	25	-	273
Total	**1,411**	**309**	**289**	**2,009**

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

Notes to the financial statements

For the year ended 30 June 2016

(continued)

Other transactions or loans with key management personnel

Details of transactions with Directors of Bathurst Resources Limited and other key management personnel of the Group, including their personally related parties are set out below.

	GROUP 2016 $'000	GROUP 2015 $'000
Consulting services performed by Mr Middleton (Independent Director) [1]	271	–
Aggregates of loans to key management personnel		
Opening Balance	–	510
Interest charged	–	20
Loan (settled)/advanced [2]	–	(530)
Closing balance	**–**	**–**

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

[2] Mr Bohannan ceased employment with the company on 24th March 2015. Loans and other receivables due from Mr Bohannan were settled via termination arrangements.

The Group entered into a joint venture in August 2013 with Johnson Bros Transport to operate a coal yard in Rolleston. These financial statements include coal sales to the joint venture totalling $3.0m (2015: $2.1m).

29. Commitments and contingent liabilities

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as a liability totalled $2.3m (2015: nil). This will be settled within 12 months of reporting date.

(b) Lease commitments

(i) Non-cancellable operating leases

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

Lease commitments

	GROUP 2016 $'000	GROUP 2015 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	112	240
Later than one year but not later than five years	71	263
Later than five years	-	-
Total lease commitments	**183**	**503**

During the year ended 30 June 2016 $0.2m (2015: $0.2m) was recognised as an expense in the income statement in respect of operating leases.

(ii) Finance leases

The Group leases various plant and equipment expiring within one to four years. Refer to note 19 for further information.

(c) Exploration expenditure commitments

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

(d) Contingent assets and liabilities

As at 30 June 2016 the Group had no contingent assets or liabilities (2015: nil).

30. Events occurring after the reporting period

On the 3rd of August 2016, the Company announced the completion of a Convertible Note issue raising AUD$4.25m. This is a compound instrument but will primarily be recorded in long term borrowings.

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

Independent auditor's report

To the shareholders of Bathurst Resources Limited

Our opinion

In our opinion the consolidated financial statements of Bathurst Resources Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2016, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the balance sheet as at 30 June 2016;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

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

Our firm carries out other services for the Group in the area of other assurance services. The provision of these other services has not impaired our independence as auditors of the Group.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

PricewaterhouseCoopers, 113-119 The Terrace, PO Box 243, Wellington 6140, New Zealand
T: +64 4 462 7000, F: +64 4 462 7001, pwc.co.nz

Responsibilities of the Director for the consolidated financial statements

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

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

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

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

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

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page5.aspx

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
Wellington
29 August 2016

Section 03

Shareholder information

Shareholder information

The shareholder information set out below was applicable as at 30 September 2016.

A. Distribution of equity securities

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

HOLDING	TOTAL HOLDERS	ORDINARY SHARES
1 – 1,000	332	55,749
1,001 – 5,000	649	1,715,371
5,001 – 10,000	479	3,173,976
10,001 – 100,000	1770	56,129,516
100,001 and over	807	903,408,143
TOTAL		**964,482,755**

On 30 September 2016 there were 1,985 holders of less than a marketable parcel of ordinary shares as determined by the ASX (under AUD$500 in value).

B. Equity security holders

Twenty largest quoted equity security holders

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

		ORDINARY SHARES	
	NAME	NUMBER HELD	PERCENTAGE OF ISSUED SHARES
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	321,473,049	33.33
2	JP MORGAN NOMINEES AUSTRALIA LIMITED	50,273,104	5.21
3	BELL POTTER NOMINEES LIMITED <BB NOMINEES A/C>	34,553,255	3.58
4	BERNE NO 132 NOMINEES PTY LTD <608725 A/C>	27,888,773	2.89
5	ABN AMRO CLEARING SYDNEY NOMINEES PTY LIMITED <CUSTODIAN A/C>	15,865,009	1.64
6	ROBERT JAMES GRIFFITHS & JEAN DARLING GRIFFITHS	15,000,000	1.56
7	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	13,655,750	1.42
8	CITICORP NOMINEES PTY LIMITED	13,161,461	1.36
9	FORSYTH BARR CUSTODIANS LIMITED <FORSYTH BARR LTD-NOMINEE A/C>	11,376,035	1.18
10	PETER ALFRED BRADFIELD	7,818,713	0.81
11	CLIVE THOMAS	6,000,000	0.62
12	RICHARD TACON	5,976,596	0.62
13	AVANTEOS INVESTMENTS LIMITED <2477966 DNR A/C>	5,336,766	0.55
14	JBWERE (NZ) NOMINEES LIMITED <31933 A/C>	5,235,000	0.54
15	SAM AARONS	4,900,367	0.51
16	MARSHALL MAINE	4,500,000	0.47
17	CLINTON KEITH ADAMS & KAREN LOUISE ADAMS <THE ADAMS FAMILY A/C>	4,093,000	0.42
18	AETAS GLOBAL MARKETS LIMITED	4,091,998	0.42
19	JOHN MCCALLUM	3,998,168	0.41
20	JARDEN CUSTODIANS LIMITED	3,873,526	0.40
	Total	**559,070,570**	**57.97%**

Unquoted equity securities

	NUMBER ON ISSUE	NUMBER OF HOLDERS
Unquoted convertible notes on issue	4,250	19
Unquoted performance rights on issue	9,500,000	4

C. Substantial holders

Substantial holders in the company as of 30 September 2016 are set out below:

	NUMBER HELD	PERCENTAGE OF ISSUED SHARES
Republic Investment Management Pte Limited	192,112,714	19.92%
Asian Dragon Acquisitions Limited	71,273,542	7.39%

D. Voting rights

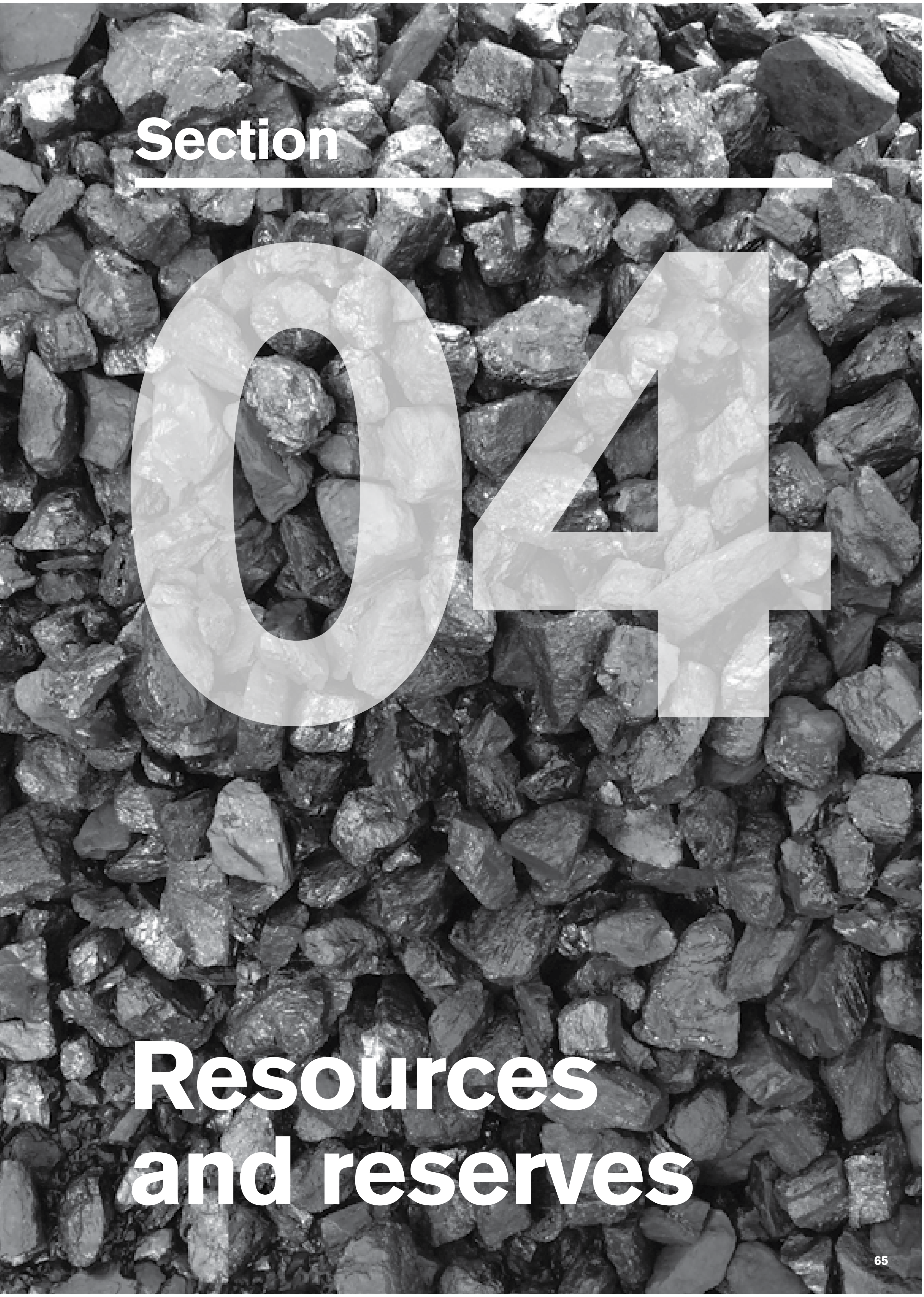
The voting rights attached to each class of equity securities are set out below:

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

(b) Options
No voting rights.

E. On-market buy-back

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



Section

04

Resources and reserves

Tenement schedule

PERMIT ID	LOCATION (REGION)	MINERALS	PERMIT TYPE	PERMIT OPERATOR	BATHURST INTEREST
57205	West Coast	Coal	Exploration Permit	Bathurst Coal Limited	100%
56927	Southland	Minerals	Prospecting Permit	Bathurst Coal Limited	100%
56233	West Coast	Coal	Mining Permit	Buller Coal Limited	100%
55401	West Coast	Minerals	Mining Permit	Buller Coal Limited	100%
54935	Otago	Coal	Prospecting Permit	Bathurst Coal Limited	100%
54896	West Coast	Minerals	Prospecting Permit	Buller Coal Limited	100%
54846	Canterbury	Coal	Exploration Permit	Bathurst Coal Limited	100%
54658	West Coast	Coal	Exploration	Buller Coal Limited	100%
53614	Southland	Coal	Mining Permit	Bathurst Coal Limited	100%
51279	West Coast	Coal	Mining Permit	Buller Coal Limited	100%
51260	Southland	Coal	Exploration Permit	Bathurst Coal Limited	100%
51212	West Coast	Coal	Exploration Permit	Buller Coal Limited	100%
41456	West Coast	Coal	Mining Permit	Buller Coal Limited	100%
41455	West Coast	Coal	Mining Permit	Bathurst Coal Limited	100%
41372	Canterbury	Coal	Mining Permit	Bathurst Coal Limited	100%
41332	West Coast	Coal	Mining Permit	Buller Coal Limited	100%
41274	West Coast	Coal	Mining Permit	Buller Coal Limited	100%
40628	West Coast	Coal	Exploration Permit	Buller Coal Limited	100%
40625	Southland	Coal	Exploration Permit	New Brighton Collieries Limited	100%
40591	West Coast	Coal	Exploration Permit	Bathurst Coal Limited	100%

Permits granted in the past twelve months

PERMIT ID	PERMIT TYPE	PERMIT OPERATOR	MINERALS	LOCATION (REGION)	GRANTED DATE	OPERATION NAME
57205	Exploration Permit	Bathurst Coal Limited (100%)	Coal	West Coast	03/05/2016	Caroline Terrace
56927	Prospecting Permit	Bathurst Coal Limited (100%)	Minerals	Southland	27/04/2016	Ohai Metals
56233	Mining Permit	Bathurst Coal Limited (100%)	Coal	West Coast	23/03/2016	Coal Creek

Extension of duration

PERMIT ID	PERMIT TYPE	OPERATOR	OPERATION NAME	LOCATION (REGION)	PERMIT EXTENSION (YEARS)	PERMIT EXTENSION (MONTHS)	AREA REDUCTION	AREA REDUCTION UNITS
41372	Mining Permit	Bathurst Coal Limited	Malvern Hills	Canterbury Region	10	0	0	ha
54896	Prospecting Permit	Buller Coal Limited	Buller Metals	West Coast Region	2	0	164.54	sq.km
51260	Exploration Permit	Bathurst Coal Limited	Ohai	Southland	5	0	829.29	ha

Partial surrender

OPERATION PERMIT ID	LOCATION PERMIT TYPE	AREA OPERATOR	AREA REDUCTION NAME	(REGION)	REDUCTION	(UNITS)
54658	Exploration Permit	Buller Coal Limited	North Reefton	West Coast Region	2688.175	Ha

Full surrender

PERMIT ID	PERMIT TYPE	OPERATOR	OPERATION NAME	LOCATION (REGION)
55199	Exploration Permit	Buller Coal Limited	Mangapehi	Waikato
54590	Exploration Permit	Buller Coal Limited	Inangahua	West Coast
54512	Exploration Permit	Buller Coal Limited	Flat Creek	Tasman
54933	Exploration Permit	Bathurst Coal Limited	Home Hills	Otago
54389	Exploration Permit	Buller Coal Limited	Tihoroa	Waikato
54505	Exploration Permit	Buller Coal Limited	Denniston West	West Coast
54031	Exploration Permit	Buller Coal Limited	10 Mile Creek	West Coast
53756	Exploration Permit	Buller Coal Limited	Mokihinui	West Coast
52713	Exploration Permit	Buller Coal Limited	Fairdown	West Coast
52147	Exploration Permit	Buller Coal Limited	Greymouth	West Coast
51078	Exploration Permit	Buller Coal Limited	Coal Creek	West Coast

Expired

PERMIT ID	PERMIT TYPE	OPERATOR	OPERATION NAME	LOCATION (REGION)
52484	Prospecting Permit	Bathurst Coal Limited	Canterbury	Canterbury

Coal resources and reserves

Resources

Table 1 – Resource Tonnes (1)

AREA	2016 MEASURED RESOURCE (MT)	2015 MEASURED RESOURCE (MT)	CHANGE (MT)	2016 INDICATED RESOURCE (MT)	2015 INDICATED RESOURCE (MT)	CHANGE (MT)	2016 INFERRED RESOURCE (MT)	2015 INFERRED RESOURCE (MT)	CHANGE (MT)	2016 TOTAL RESOURCE (MT)	2015 TOTAL RESOURCE (MT)	CHANGE (MT)
Escarpment (2)	3.1	3.1	0.0	2.1	2.2	-0.1	1.0	1.0	0.0	6.2	6.3	-0.1
Cascade (3)	0.5	0.6	-0.1	0.6	0.6	0.0	0.3	0.3	0.0	1.5	1.5	0.0
Deep Creek (4)	6.2	6.2	0.0	3.1	3.1	0.0	1.6	1.6	0.0	10.9	10.9	0.0
Coalbrookdale	0.0	0.0	0.0	3.8	3.8	0.0	5.4	5.4	0.0	9.2	9.2	0.0
Whareatea West	7.6	7.6	0.0	10.8	10.8	0.0	4.9	4.9	0.0	23.3	23.3	0.0
South Buller Totals	**17.4**	**17.5**	**-0.1**	**20.4**	**20..5**	**-0.1**	**13.2**	**13.2**	**0.0**	**51.1**	**51.2**	**-0.1**
Millerton North (4)	0.0	0.0	0.0	1.9	1.9	0.0	3.6	3.6	0.0	5.5	5.5	0.0
North Buller	2.4	2.4	0.0	7.3	7.3	0.0	10.9	10.9	0.0	20.6	20.6	0.0
Blackburn (4)	0.0	0.0	0.0	5.8	5.8	0.0	14.1	14.1	0.0	19.9	19.9	0.0
North Buller Totals	**2.4**	**2.4**	**0.0**	**15.0**	**15.0**	**0.0**	**28.6**	**28.6**	**0.0**	**46.0**	**46.0**	**0.0**
Buller Coal Project Totals	**19.8**	**19.9**	**-0.1**	**35.4**	**35.5**	**-0.1**	**41.8**	**41.8**	**0.0**	**97.1**	**97.2**	**-0.1**
Takitimu (5)	1.0	1.6	-0.6	1.9	1.7	0.2	0.8	1.3	-0.5	3.7	4.6	-0.9
New Brighton (6)	0.2	0.0	0.2	0.4	0.7	-0.3	1.3	3.5	-2.2	1.9	4.2	-2.3
Canterbury (7)	0.5	0.3	0.2	1.4	0.5	0.9	3.4	1.3	2.1	5.3	2.1	3.2
Southland/Canterbury Totals	**1.7**	**1.9**	**-0.2**	**3.7**	**2.9**	**0.8**	**5.5**	**6.1**	**-0.6**	**10.9**	**10.9**	**0.0**
Total	**21.5**	**21.8**	**-0.3**	**39.1**	**38.4**	**0.7**	**47.3**	**47.9**	**-0.6**	**108.0**	**108.2**	**-0.2**

Note

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

All resources quoted are reported as of 17 October 2016 ASX Release – 'Update on Resources and Reserves'

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

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

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

2. Escarpment resources were depleted by mining. Further resources were identified due to additional drilling and an updated geological model.
3. Cascade resources were depleted by mining.
4. No additional work has been was 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.
5. Resources were depleted by mining. Additional drilling and a revision of the geological model resulted in an overall decrease in the resource tonnage. Takitimu resources include Black Diamond and Coaldale.
6. Additional drilling and a revision of the geological model resulted in improved resource confidence. Potential underground resources reported previously have been removed from resource estimates
7. Additional drilling, improved mining economics and a revision of the geological model have resulted in improved resource confidence and an overall increase in the resource tonnage.

Table 2 – Average Coal Quality – Measured

AREA	MEASURED RESOURCE (MT)	ASH% (AD)	SULPHUR % AD	VOLATILE MATTER % (AD)	FIXED CARBON % (AD)	CSN	INHERENT MOISTURE	IN SITU MOISTURE	CALORIFIC VALUE (AD)
Escarpment	3.1	20.0	0.57	32.7	46.3	7.0	0.9	5.5	28.5
Cascade	0.5	15.5	1.66	39.3	42.6	4.5	2.6	7.6	30.8
Deep Creek	6.2	11.0	2.50	32.9	53.9	-	2.2	5.2	29.7
Whareatea West	7.6	23.0	0.82	24.2	52.2	7.0	0.6	6.3	26.8
Millerton North	-0.0	-	-	-	-	-	-	-	-
North Buller	2.4	8.6	4.70	43.1	45.4	4.5	2.9	11.4	29.7
Blackburn	-0.0	-	-	-	-	-	-	-	-
Takitimu	1.0	11.7	0.42	37.4	35.4	N/A	15.5	24.7	21.4
New Brighton	0.2	10.7	0.37	35.9	39.1	N/A	14.3	21.0	22.7
Canterbury	0.5	8.4	0.74	36.1	39.6	N/A	15.9	25.5	22.2

Table 3 – Average Coal Quality – Indicated

AREA	MEASURED RESOURCE (MT)	ASH% (AD)	SULPHUR % AD	VOLATILE MATTER % (AD)	FIXED CARBON % (AD)	CSN	INHERENT MOISTURE	IN SITU MOISTURE	CALORIFIC VALUE (AD)
Escarpment	2.1	19.2	1.11	35.0	44.6	7.0	1.2	5.3	30.3
Cascade	0.6	14.8	1.79	38.3	44.5	4.0	2.4	8.0	29.3
Deep Creek	3.1	9.7	2.70	34.7	53.6	-	2.0	4.8	30.3
Coalbrookdale	3.8	18.4	1.43	36.3	43.5	5.0	1.8	6.1	30.0
Whareatea West	10.8	22.1	0.93	22.7	54.5	6.5	0.6	6.3	25.6
Millerton North	1.9	9.7	4.90	36.9	52.4	10.0	1.0	6.1	31.1
North Buller	7.3	8.8	5.10	42.6	46.3	5.0	2.3	9.4	30.0
Blackburn	5.8	3.9	4.30	42.1	51.8	6.0	2.2	10.1	30.4
Takitimu	1.9	9.7	0.31	36.3	38.0	N/A	16.0	25.5	21.5
New Brighton	0.4	9.0	0.34	35.9	42.1	N/A	12.9	20.5	23.7
Canterbury	1.4	8.2	0.74	36.1	39.5	N/A	16.1	25.7	22.2

Table 4 – Average Coal Quality – Inferred

AREA	MEASURED RESOURCE (MT)	ASH% (AD)	SULPHUR % AD	VOLATILE MATTER % (AD)	FIXED CARBON % (AD)	CSN	INHERENT MOISTURE	IN SITU MOISTURE	CALORIFIC VALUE (AD)
Escarpment	1.0	18.4	1.70	35.5	44.7	7.0	1.4	5.7	30.2
Cascade	0.3	16.5	2.16	36.7	44.7	4.0	2.1	6.7	27.6
Deep Creek	1.6	10.1	2.40	29.7	57.8	-	2.4	7.1	29.7
Coalbrookdale	5.4	16.4	1.50	35.2	46.7	5.0	1.7	5.5	29.1
Whareatea West	4.9	21.7	0.92	21.3	56.3	6.0	0.7	6.3	24.6
Millerton North	3.6	12.0	5.50	35.3	51.6	9.0	1.1	7.2	30.2
North Buller	10.9	9.9	5.10	45.6	42.3	5.0	2.2	9.6	29.5
Blackburn	14.1	6.4	4.80	41.8	49.5	6.0	2.3	11.2	30.1
Takitimu	0.8	12.4	0.39	36.2	36.0	N/A	15.4	25.0	20.9
New Brighton	1.3	9.0	0.30	35.7	43.6	N/A	11.6	19.6	24.1
Canterbury	3.4	9.1	0.79	36.0	39.0	N/A	15.8	25.5	22.0

Reserves [8]

Table 5 – Coal Reserves (ROM [9]) Tonnes

ROM COAL	PROVED (MT)			PROBABLE (MT)			TOTAL (MT)		
AREA	2016	2015	CHANGE	2016	2015	CHANGE	2016	2015	CHANGE
Escarpment Domestic [10]	0.2	0.0	0.2	0.1	0.2	-0.1	0.3	0.2	0.1
Escarpment Export	2.3	2.3	0.0	0.5	0.5	0.0	2.8	2.8	0.0
Whareatea West	0.0	0.0	0.0	15.8	15.8	0.0	15.8	15.8	0.0
Takitimu [11]	0.5	0.5	0.0	1.1	0.7	0.4	1.6	1.2	0.4
Canterbury [12]	0.1	0.0	0.1	0.1	0.0	0.1	0.2	0.0	0.2
Total	**3.1**	**2.8**	**0.3**	**17.6**	**17.2**	**0.4**	**20.7**	**20**	**0.7**

Table 6 – Marketable Coal Reserves [13] Tonnes

	PROVED (MT)			PROBABLE (MT)			TOTAL (MT)		
AREA	2016	2015	CHANGE	2016	2015	CHANGE	2016	2015	CHANGE
Escarpment Domestic [10]	0.2	0.0	0.2	0.1	0.2	-0.1	0.3	0.2	0.1
Escarpment Export	1.9	1.9	0.0	0.4	0.4	0.0	2.3	2.3	0.0
Whareatea West	0.0	0.0	0.0	9.9	9.9	0.0	9.9	9.9	0.0
Takitimu [11]	0.5	0.5	0.0	1.0	0.7	0.3	1.5	1.2	0.3
Canterbury [12]	0.1	0.0	0.1	0.1	0.0	0.1	0.2	0.0	0.2
Total	**2.7**	**2.4**	**0.3**	**11.5**	**11.2**	**0.3**	**14.2**	**13.6**	**0.6**

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

DEPOSIT (10,11,12,13)	PROVED MARKETABLE (13)						PROBABLE MARKETABLE (13)					
	(MT)	ASH (%)	SULPHUR (%)	VM (%)	CSN (#)	CV (MJ/ KG)	(MT)	ASH (%)	SULPHUR (%)	VM (%)	CSN (#)	CV (MJ/ KG)
Escarpment Export	1.9	8.9	0.5	35.1	8.5	31.3	0.4	7.1	0.6	36.4	8.5	32.0
Whareatea West	0.0	-	-	-	-	-	9.9	12.1	0.9	26.0	9.5	31.9
Escarpment Domestic (10)	0.2	12.9	1.9	35.0	6.8	28.9	0.1	14.5	1.5	34.0	6.1	28.4
Takitimu (11)	0.5	9.2	0.3	36.9	N/A	21.9	1.0	6.3	0.24	36.0	N/A	22.1
Canterbury (12)	0.1	8.4	0.8	36.8	N/A	22.3	0.1	8.6	0.8	36.8	N/A	22.2

Table 8 – Marketable Coal Reserve – Total Average Quality

DEPOSIT (7,8,10,11,12)	COAL TYPE	MINING METHOD	TOTAL MARKETABLE (13)					
			(MT)	ASH (%)	SULPHUR (%)	VM (%)	CSN (#)	CV (MJ/ KG)
Escarpment Export	Met	Open Pit	2.3	8.6	0.5	35.3	8.5	31.4
Whareatea West	Met	Open Pit	9.9	12.1	0.9	26.0	9.5	31.9
Escarpment Domestic (10)	Thermal	Open Pit	0.2	13.3	1.8	34.7	6.6	28.8
Takitimu (11)	Thermal	Open Pit	1.5	7.2	0.3	36.3	N/A	22.0
Canterbury (12)	Thermal	Open Pit	0.1	8.5	0.8	36.8	N/A	22.3

Note

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

All Reserves quoted are reported as of 17 October 2016 ASX Release – 'Update on Resources and Reserves'

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

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

   Rounding of tonnes as required by reporting guidelines may result in summation differences between tonnes and coal quality
9. Coal reserve estimates (Run of Mine (ROM) tonnes), include consideration of standard mining factors (JORC Code 2012)
10. Change in Domestic reserves based on a revised economics and additional exploration.
11. Increase in coal reserves due to increased resources, revised mining plans and economics. Takitimu reserves include Black Diamond and Coaldale.
12. New reserve defined 2016
13. Marketable Reserves are based on geologic modelling of the anticipated yield from ROM Reserves.

    Total Marketable Coal Reserves are reported at a product specific moisture content (10–12% for Escarpment Export and Whareatea West, 5-8% at Escarpment Domestic and 22-23% at Takitimu and Canterbury) and at an air-dried quality basis, for sale after the beneficiation of the Total Coal Reserves, converted using ASTM D3180 ISO 1170

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

Resource quality

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

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

Mineral Resource and Ore Reserves governance and estimation process

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

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

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

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

The Resources and Reserves statements included in Bathurst's 2016 Annual Report have been reviewed by qualified internal and external Competent Persons, and internal management, prior to their inclusion.

Competent Person statements

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

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

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

Corporate directory

Directors

Toko Kapea
Non–executive chairman

Richard Tacon
Executive director and chief executive officer

Russell Middleton
Non-executive director

Peter Westerhuis
Non-executive director

Company secretaries

Jason Hungerford

Bill Lyne

New Zealand company number

4382538

Australian registered business number

164 306 905

Registered office

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

Australian registered office

10 Ngeringa Crescent,
Chapel Hill, Qld 4069
Australia
+61 7 3378 7673

Share registry

Computershare Investor Services Limited
159 Hurstmere Rd
Takapuna Central 0622
New Zealand

Auditor

PricewaterhouseCoopers
113-119 The Terrace
Wellington 6140
New Zealand

Solicitor

Minter Ellison Rudd Watts Lawyers
125 The Terrace
Wellington 6011
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.bathurstresources.co.nz

Bathurst Resources Limited
Level 12, 1 Willeston Street
Wellington 6011
New Zealand
+64 4 499 6830

www.bathurstresources.co.nz

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