

# **BATHURST RESOURCES LIMITED**

**Interim Report for the 6 months ended 31 December 2016**

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## Directors' report

Your Directors present their report on the consolidated entity consisting of Bathurst Resources Limited ("Bathurst") and the entities it controlled at the end of, or during, the 6 months ended 31 December 2016.

### Directors

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

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

### Operating and financial review

The first 6 months of the 2017 financial year have seen Bathurst continue to deliver on its strategy.

The Company's successful bid for selected assets of Solid Energy New Zealand Limited (Subject to Deed of Company Arrangement) via a newly formed Joint Venture, BT Mining Limited, is well aligned with the long term business strategy.

The acquisition will deliver expansion into the North Island domestic thermal coal market and importantly into the export metallurgical coal market. The export assets on the Stockton Plateau are adjacent to the Company's existing Buller Project on the Denniston Plateau and the acquisition enables the potential to deliver significant synergies to the Group both in utilisation of infrastructure and the long term blending of coal.

The Stockton mine is a developed operation with established customer relationships, infrastructure, and resources.

A critical element of the successful bid was absolute certainty of funding. With the Company's market capitalisation at long term lows at the time of the bid, a successful placement of debt and hybrid securities to new and existing investors, as well as partnering with a strong joint venture partner, enabled the company to compete and be ultimately successful in what was a competitive tender process. The securities were issued on 1 February 2017.

A successful acquisition will provide a platform for the Company to create significant value to all shareholders of the Company.

In August 2016, the Company issued its first series of Convertible Notes (AUD\$4.25m) which was primarily used to repay outstanding bank loans and to provide funding to enable a comprehensive technical, legal and financial due diligence process.

Both the due diligence process and holding costs of committed funding have contributed to the group reporting a net loss after tax for the 6 months ended 31 December 2016 of \$1.1m compared with a net profit after tax of \$0.1m for the 6 months ended 31 December 2015.

Adjusted EBITDA for the 6 month period of \$6.3m is \$0.9m below adjusted EBITDA for the equivalent prior period. The 6 months ended 31 December 2015 did benefit from the accelerated supply of coal into the Holcim cement plant on the West Coast of the South Island which closed down in June 2016. This closure ultimately led to the placing of Cascade and Escarpment mines on care and maintenance and has seen a significant reduction in sales revenue year on year (c.\$8m).

To mitigate the loss of sales volume the Company has continued to lower its unit operating costs and seek new opportunities for coal supply.

	Group	
	2016 \$'000	2015 \$'000
<b>Statutory (loss)/profit after tax</b>	<b>(1,144)</b>	<b>142</b>
Restructuring costs	-	226
Acquisition costs	793	-
Care and maintenance of Buller Project	589	-
<b>Underlying profit after tax</b>	<b>238</b>	<b>368</b>
Add back		
Depreciation and amortisation	5,256	6,321
Net finance costs	1,076	652
Tax credit	-	(4)
Fair value gain on deferred consideration	(288)	(84)
Gain on disposal of fixed assets	(10)	(37)
<b>Underlying EBITDA</b>	<b>6,272</b>	<b>7,216</b>

Net cashflow from operations for the 6 months ended 31 December 2016 was \$1.1m compared to \$3.2m for the same period in 2015. Operating cashflow follows the lower year on year EBITDA result.

No dividends were paid in the six months to 31 December 2016 (2015:nil).

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

Bathurst Group	Coal Mined (t)	Overburden (bcm)	Coal Sales (t)
2016	166,191	1,304,592	149,809
2015	250,437	1,683,885	202,679

Overall production for the period was 34% lower than for the previous corresponding period reflecting the lower sales profile and placing of Cascade and Escarpment on care and maintenance in the second half of FY 2016.

## Operations

### Buller operations at Cascade and Escarpment

Both Cascade and Escarpment mines have remained on care and maintenance through the 6 month period with works focusing on site maintenance, ongoing rehabilitation works, and compliance with all necessary consent and permit conditions.

There has been significant volatility in the price of coking coal through the period and the Company continues to monitor this very closely.

### Takitimu Mine

Mining has continued to progress in the Northern end of the Coaldale pit prior to commencement in the Black Diamond block.

Overseas Investment Office approval has been granted for the Black Diamond acquisition and the land settlement will take place in the next quarter. Preparatory work has been completed including localised pond dewatering and the construction of a haul road.

The Black Diamond block contains reserves of 1.5Mt and will form the main mining area within the next year.

**Canterbury mine**

The Canterbury mine development has continued and the mine is on track to produce 100,000t in FY 2017 compared with 60,000 in FY 2016.

Further improvements have been made to the coal processing plant and site infrastructure and the mine has continued its development in response to strong demand for Canterbury Coal in nearby markets.

**Health, Safety and Environment**

The half year was completed with no significant reportable environmental incidents occurring at any of the company's sites. One lost time injury was sustained within the period by a mine worker injuring their shoulder through a slip trip and fall incident.

Whilst the Company continued its focus on delivering ongoing productivity and efficiency initiatives during the period, it did so with an emphasis on safety communication. Health and safety management systems have continued to be developed and reviewed, in light of the introduction of the Health and Safety at Work Act 2015 in April 2016. Training has focused on policies and procedures, incident investigation, and improving operator competency training. Risk management training was delivered to all site based mine workers with a focus on the integration of risk into day to day safety practices.

**Rounding of amounts**

All financial information has been presented in New Zealand dollars and rounded to the nearest thousand unless otherwise stated.

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



**Toko Kapea**  
Chairman



**Russell Middleton**  
Director

Wellington  
22 February 2017

**Bathurst Resources Limited**  
**Consolidated income statement**  
For the 6 months ended 31 December 2016

		6 months ended 31 December 2016 \$'000	6 months ended 31 December 2015 \$'000
Revenue	4	20,590	28,948
Less cost of sales		(15,578)	(22,930)
<b>Gross profit</b>		<b>5,012</b>	<b>6,018</b>
Other income	2	828	65
Depreciation		(1,962)	(2,236)
Administrative and other expenses	2	(4,244)	(3,191)
Fair value adjustment - deferred consideration	12	288	84
Gain on disposal of fixed assets		10	37
Share of joint venture profit		-	13
Finance cost net	5	(1,076)	(652)
<b>(Loss)/Profit before income tax</b>		<b>(1,144)</b>	<b>138</b>
Income tax		-	4
<b>(Loss)/Profit for the half-year</b>		<b>(1,144)</b>	<b>142</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for (loss)/profit attributable to the ordinary equity holders of the Company:</b>			
Basic earnings per share		(0.12)	0.01
Diluted earnings per share		(0.12)	0.01

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



**Bathurst Resources Limited**  
**Consolidated statement of comprehensive income**  
For the 6 months ended 31 December 2016

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	6 months ended 31 December 2016 \$'000	6 months ended 31 December 2015 \$'000
<b>(Loss)/Profit for the half-year</b>	<b>(1,144)</b>	<b>142</b>
<b>Other comprehensive expense</b>		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(1)	(12)
<b>Total comprehensive (expense)/income for the half-year</b>	<b>(1,145)</b>	<b>130</b>
Total comprehensive (expense)/income for the half-year attributable to the Owners of Bathurst Resources Limited	<b>(1,145)</b>	<b>130</b>

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



**Bathurst Resources Limited**  
**Consolidated balance sheet**  
As at 31 December 2016

		At as 31 December 2016 \$'000	As at 30 June 2016 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and short term deposits	6	32,801	5,953
Trade and other receivables		5,900	2,777
Inventories		2,199	1,901
Intangible assets – NZ emission units		1,453	313
Other financial assets		430	20
Assets held for sale		200	790
Loans to related parties	7	2,990	-
<b>Total current assets</b>		<u>45,973</u>	<u>11,754</u>
<b>Non-current assets</b>			
Property, plant and equipment	8	11,787	11,948
Mining licences, properties, exploration and evaluation assets	9	20,154	20,127
Other financial assets		199	154
<b>Total non-current assets</b>		<u>32,140</u>	<u>32,229</u>
<b>Total assets</b>		<u>78,113</u>	<u>43,983</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		6,903	5,167
Borrowings	10	1,420	2,563
Deferred consideration	12	1,127	873
Provisions		327	350
Other liabilities	11	30,606	-
<b>Total current liabilities</b>		<u>40,383</u>	<u>8,953</u>
<b>Non-current liabilities</b>			
Trade and other payables		287	287
Deferred consideration	12	8,219	8,796
Provisions		3,458	3,419
Borrowings	10	6,027	2,577
<b>Total non-current liabilities</b>		<u>17,991</u>	<u>15,079</u>
<b>Total liabilities</b>		<u>58,374</u>	<u>24,032</u>
<b>Net assets</b>		<u>19,739</u>	<u>19,951</u>
<b>EQUITY</b>			
Contributed equity	13	247,865	247,378
Convertible Note equity		434	-
Reserves		(32,851)	(32,862)
Retained earnings / (Accumulated losses)		(195,709)	(194,565)
<b>Total equity</b>		<u>19,739</u>	<u>19,951</u>

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





**Bathurst Resources Limited**  
**Consolidated statement of changes in equity**  
For the 6 months ended 31 December 2016

Consolidated	Notes	Contributed Equity \$'000	Convertible Note Equity Component	Share based payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings / (Accumulated Losses) \$'000	Re- Organisation Reserve \$'000	Total Equity \$'000
Balance at 1 July 2015		247,378	-	2,028	(140)	(197,587)	(32,760)	18,919
Total comprehensive income for the half-year		-	-	-	(12)	142	-	130
<b>Transactions with owners in their capacity as owners:</b>								
Share based payments expense		-	-	118	-	-	-	118
Issue of shares		-	-	(288)	-	288	-	-
		-	-	(170)	-	288	-	118
Balance at 31 December 2015		247,378	-	1,858	(152)	(197,157)	(32,760)	19,167
Balance at 1 July 2016		247,378	-	52	(154)	(194,565)	(32,760)	19,951
Total comprehensive expense for the half-year		-	-	-	(1)	(1,144)	-	(1,145)
<b>Transactions with owners in their capacity as owners:</b>								
Contributions of equity, net of transaction costs		487	434	-	-	-	-	921
Share based payments expense		-	-	12	-	-	-	12
		487	434	12	-	-	-	933
Balance at 31 December 2016		247,865	434	64	(155)	(195,709)	(32,760)	19,739

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



**Bathurst Resources Limited**  
**Consolidated statement of cash flows**  
For the 6 months ended 31 December 2016

	6 months ended 31 December 2016 \$'000	6 months ended 31 December 2015 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	17,941	26,593
Payments to suppliers and employees	(16,746)	(23,280)
Interest received	37	44
Interest and other finance costs paid	(87)	(166)
Income taxes recovered	-	12
<b>Net cash inflow from operating activities</b>	<u>1,145</u>	<u>3,203</u>
<b>Cash flows from investing activities</b>		
Payments for exploration & consenting expenditure	(604)	(482)
Payments for elevated stripping activity	(2,729)	(627)
Payments for property, plant and equipment	(466)	(310)
Payments for mining permits	(422)	(244)
Proceeds from the sale of property, plant, and equipment	17	-
(Increase)/decrease in restricted security deposits	(880)	218
Deposits paid	-	(85)
Advances paid to related parties	(2,990)	-
Other investing activities	35	(26)
<b>Net cash outflow from investing activities</b>	<u>(8,039)</u>	<u>(1,556)</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings and other liabilities	35,228	-
Repayment of borrowings	(2,321)	(1,112)
<b>Net cash inflow/(outflow) from financing activities</b>	<u>32,907</u>	<u>(1,112)</u>
<b>Net increase in cash and cash equivalents</b>	26,013	535
Cash and cash equivalents at the beginning of the half-year	3,325	2,465
<b>Cash and cash equivalents at the end of the half-year</b>	<u>29,338</u>	<u>3,000</u>

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



**Note 1 Basis of preparation of the half-year report**

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

The interim financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). These interim financial statements for the six months ended 31 December 2016 have been prepared in accordance with NZ IAS 34 and IAS 34, ‘Interim Financial Reporting’ and should be read in conjunction with the annual financial statements for the year ended 30 June 2016, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and New Zealand Equivalents to IFRS.

The financial statements presented herewith as at and for six months ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the “Group”) and should be read in conjunction with the annual report for the year ended 30 June 2016.

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

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

**Note 2 Significant changes in the current reporting period****Acquisition of assets via Joint Venture**

On 2 November the Company announced that BT Mining Limited (previously Phoenix Coal Limited), a joint venture in which the Company holds a 65% shareholding, had successfully entered into a conditional sale agreement with Solid Energy Limited (subject to Deed of Company Arrangement) (Solid Energy). Under the agreement BT Mining Limited will acquire certain coal mining assets located in New Zealand including:

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

BT Mining Limited was incorporated on 21 September 2016 and it is intended that this entity will be accounted for as a Joint Venture in the Company’s consolidated financial statements in accordance with NZ IFRS 11 *Joint Arrangements*.

Committed funding was critical to any success in the competitive tender for the assets.

As further announced on 2 November 2016, the Company has committed to an investment in BT Mining Limited sufficient to allow that company to complete its sale and purchase obligations with absolute certainty.

As detailed in that announcement, in order to fund this investment the Company entered into binding subscription agreements for a structured package of debt and hybrid securities from new and existing investors. This includes a Subordinated Bond, a Convertible Note, and a Redeemable Convertible Preference Share (RCPS) issue totalling USD\$7.9m, AUD\$7.5m, and AUD\$11.3m respectively.

A cash call was made on the subscription agreements during the period with significant receipts flowing on or before 31 December 2016 (see note 6).

As at 31 December 2016, the call was not received in full and therefore the securities were not issued until after the reporting date (see notes 11 & 15).

As at 31 December, the funds received have been recognised in cash and short term deposits (note 6). The pending obligation to issue securities has been presented as other liabilities (note 11).

The Company has made a significant investment in the above transaction. Total transaction spend in the 6 months to 31 December 2016 totalled \$1.3m which is presented in other operating expenses. This has been partially mitigated by the proportionate recovery of this spend from BT Mining Limited's other shareholder. This recovery has been included in other income and totals \$477k for the 6 months to 31 December 2016.

**Note 3 Segment information**

**(a) Descriptions of segments**

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

The presentation of segments is consistent the determination reached in the full year financial statements.

Revenue is not presented on a segmented basis, instead it is presented as a sales function across the Group.

In addition, total assets and total liabilities are reported on a group basis and are not provided internally on a segmented basis.

**(b) Segment information**

6 months ended 31 December 2016	Buller Coal \$'000	Eastern Coal \$'000	Corporate \$'000	Total \$'000
Loss before tax	(541)	2,416	(3,019)	(1,144)
Loss before tax includes:				
Depreciation and amortisation	39	5,187	30	5,256
Profit before tax for the 6 months ended 31 December 2015	2,766	(64)	(2,560)	142
Loss before tax includes:				
Depreciation and amortisation	172	6,093	56	6,321

**Note 4 Revenue**

	6 months ended 31 December 2016 \$'000	6 months ended 31 December 2015 \$'000
<b>Sales revenue</b>		
Coal sales	14,169	21,520
Freight	6,421	7,428
<b>Total sales revenue</b>	<b>20,590</b>	<b>28,948</b>
Other Income	828	65
<b>Total revenue from operations</b>	<b>21,418</b>	<b>29,013</b>

**Note 5 Finance costs net**

	Note	6 months ended 31 December 2016 \$'000	6 months ended 31 December 2015 \$'000
<b>Finance income</b>			
Interest income		41	36
<b>Total finance income</b>		<b>41</b>	<b>36</b>
<b>Finance costs</b>			
Interest expense		(563)	(208)
Provisions: unwinding of discount		(120)	(92)
Deferred consideration: unwinding of discount	12	(385)	(412)
<b>Total finance costs</b>		<b>(1,068)</b>	<b>(712)</b>
<b>Foreign exchange gain/(loss)</b>			
Exchange gain/(loss)		(49)	24
<b>Total foreign exchange gain/(loss)</b>		<b>(49)</b>	<b>24</b>
<b>Finance costs net</b>		<b>(1,076)</b>	<b>(652)</b>

**Note 6 Cash and short term deposits**

		31 December 2016 \$'000	30 June 2016 \$'000
Cash at bank and on hand		828	3,325
Cash called on subscription agreements	2	28,510	-
<b>Cash and cash equivalents</b>		<b>29,338</b>	<b>3,325</b>
Restricted short term deposits		3,463	2,628
<b>Cash and short term deposits</b>		<b>32,801</b>	<b>5,953</b>

Cash at bank and on hand includes cash called in accordance with subscription agreements for debt and hybrid securities issued subsequent to reporting date (see notes 11 & 15). The cash held will be used to settle the acquisition of certain Solid Energy assets via Bathurst's newly formed Joint Venture BT Mining Limited (see note 2).

**Note 7 Loans to related parties**

Loans to related parties represents an advance made to BT Mining Limited. The purpose of this loan was for BT Mining Limited to pay the deposit required under the sale and purchase agreement to acquire selected Solid Energy assets discussed in note 2. The Company's contribution to fund the deposit was in proportion to the Company's 65% shareholding in that entity.

**Note 8 Property, plant, & equipment**

	Freehold Land	Buildings	Mine Infrastructure	Plant & Machinery	Furniture, fittings and equipment	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 30 June 2016</b>							
Cost or fair value	14,538	5,867	2,675	19,526	2,163	12,142	56,911
Accumulated depreciation and impairment	(12,568)	(5,071)	(2,328)	(10,928)	(1,944)	(12,124)	(44,963)
<b>Closing net book amount</b>	<b>1,970</b>	<b>796</b>	<b>347</b>	<b>8,598</b>	<b>219</b>	<b>18</b>	<b>11,948</b>
<b>Half-year ended 31 December 2016</b>							
Opening net book amount	1,970	796	347	8,598	219	18	11,948
Additions	-	-	-	1,342	4	473	1,819
Assets held for sale & other disposals	-	-	-	(18)	-	-	(18)
Depreciation charge	(889)	(54)	(169)	(797)	(53)	-	(1,962)
<b>Closing net book amount</b>	<b>1,081</b>	<b>742</b>	<b>178</b>	<b>9,125</b>	<b>170</b>	<b>491</b>	<b>11,787</b>
<b>At 31 December 2016</b>							
Cost	14,538	5,867	2,675	20,822	2,167	12,615	58,684
Accumulated depreciation and impairment	(13,457)	(5,125)	(2,497)	(11,697)	(1,997)	(12,124)	(46,897)
<b>Net book amount</b>	<b>1,081</b>	<b>742</b>	<b>178</b>	<b>9,125</b>	<b>170</b>	<b>491</b>	<b>11,787</b>

Additions and disposals for the 6 months ended 31 December 2015 totalled \$2.7m and \$5.4m respectively.

**Note 9 Mining licences, properties, exploration and evaluation assets**

	Exploration & Evaluation Expenditure	Mining Licences & Properties	Total
	\$'000	\$'000	\$'000
<b>Opening net book amount at 1 July 2015</b>	650	21,848	22,498
Additions	969	-	969
Amortisation	-	(6,890)	(6,890)
Abandonment provision movement	-	93	93
Waste moved in advance capitalised	-	3,831	3,831
Impairment recognised	(374)	-	(374)
<b>Closing net book amount at 30 June 2016</b>	<b>1,245</b>	<b>18,882</b>	<b>20,127</b>
<b>Opening net book amount at 1 July 2016</b>	1,245	18,882	20,127
Additions	616	-	616
Amortisation	-	(3,294)	(3,294)
Abandonment provision movement	-	(24)	(24)
Waste moved in advance capitalised	-	2,729	2,729
<b>Closing net book amount at 31 December 2016</b>	<b>1,861</b>	<b>18,293</b>	<b>20,154</b>

**Note 10 Borrowings**

On the 3<sup>rd</sup> August the Company issued a Convertible Note raising AUD\$4.25m. The Convertible Note matures on 22 July 2019, has an interest rate of 8%, and a set conversion price of AUD 2.2c. Proceeds from this issue were used in part to repay outstanding bank loans which totalled \$1.4m at 30 June

2016. The bank loans were presented as current borrowings at 30 June 2016 due to their at call nature.

**Note 11 Other liabilities**

As detailed in note 2, the Company has made a commitment to inject equity into BT Mining Limited to allow BT Mining Limited to settle on the acquisition of selected assets from Solid Energy.

To fund this investment, the Company has successfully placed the following debt and hybrid securities;

- USD Subordinated Bond (USD\$7.9m): 10% coupon; maturity date of 1 February 2020
- Redeemable Convertible Preference Share (AUD\$11.3m): 8% coupon; maturity date of 1 February 2018; fixed conversion price of A\$2.2c per share
- Convertible note (AUD\$7.5m): 8% coupon; maturity date 1 February 2021; conversion price of A\$3.75c per share

The cash call on subscription and the ultimate issue of securities has extended beyond the current reporting date of 31 December 2016, with securities being issued on 1 February 2017.

The Company cannot therefore recognise the issue of securities as at 31 December 2016 and in its place has recognised a current liability to issue such instruments.

The securities include special conditions that enable the return of investment, plus interest, in the unlikely event that the acquisition should not complete. This would be funded through cash on hand, repayment of loans from related parties, and operating cash flows.

The RCPS and Convertible Notes were the subject of various resolutions at the Company's AGM on the 2nd December 2016 to approve the future convertibility of the respective issues into ordinary shares. Key terms of the securities Terms of the issues can be seen in the related announcement on 2 November 2016 and in the 2016 AGM notice of meeting announced on 16 November 2016.

**Note 12 Deferred consideration**

	31 December 2016 \$'000	30 June 2016 \$'000
<b>Current</b>		
Acquisition of subsidiary deferred consideration	1,127	873
<b>Non-current</b>		
Acquisition of subsidiary deferred consideration	8,219	8,796
<b>Total deferred consideration</b>	<b>9,346</b>	<b>9,669</b>
<b>Movements</b>		<b>Deferred consideration \$'000</b>
<b>Closing balance as at 30 June 2016</b>		<b>9,669</b>
Unwinding of discount (note 5)		385
Fair value adjustments to deferred consideration		(288)
Consideration paid during the period		(420)
<b>Closing balance as at 31 December 2016</b>		<b>9,346</b>

**(a) Details on deferred consideration – Buller Coal Project**

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

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

Bathurst has the option to defer cash payment of the performance payments and elect to pay a higher royalty on coal sold from the respective permit areas until such time the performance payments are made. The option to pay a higher royalty rate has been assumed in the valuation and recognition of deferred consideration at 31 December 2016. This also reflects the current status of the mine on care and maintenance.

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

Bathurst has and will continue to remit royalty payments to L&M Coal Holdings (LMCH) (Vendor) on all Escarpment coal sold as required by the Royalty Deed and this includes ongoing sales from stockpiles.

Further information is included in note 14.

**(b) Details on deferred consideration – Canterbury Coal Limited**

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

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

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



**Note 13 Equity securities issued**

	Number of shares 000s	Issue price	Share capital \$'000
<b>Closing balance as at 30 June 2016</b>	<b>964,483</b>		<b>247,378</b>
<b>Half-year ended 31 December 2016</b>			
Opening balance	964,483		247,378
Conversion of convertible notes series I	21,545	A\$2.2c	487
<b>Closing balance as at 31 December 2016</b>	<b>986,028</b>		<b>247,865</b>

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

**Note 14 Contingent Liabilities**

On 23 December 2016, the Company announced that LMCH had filed legal proceedings in the High Court of New Zealand in relation to an alleged breach of the first USD\$40m performance payment described in note 12. The Company, with its position supported by its legal advisors, denies any default in payment and will vigorously defend the claim.

**Note 15 Events occurring after the reporting period**

On 2 February 2017, the Company announced the issue of debt and hybrid securities placed to fund the Solid Energy asset acquisition as disclosed in note 11.

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



## ***Independent Review report***

To the shareholders of Bathurst Resources Limited

### ***Report on the Interim Consolidated Financial Statements***

We have reviewed the accompanying financial statements of Bathurst Resources Limited (“the Company”) and the entities it controlled, together the Group, on pages 6 to 17, which comprise the consolidated balance sheet as at 31 December 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended on that date, and selected explanatory notes.

### ***Directors’ Responsibility for the Interim Consolidated Financial Statements***

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

### ***Our Responsibility***

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

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

We are independent of the Group. Other than in our capacity as assurance practitioner we have no relationship with, or interests in, the Group.



*Conclusion*

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

*Restriction on Distribution or Use*

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

For and on behalf of:

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive, slightly stylized script.

Chartered Accountants  
22 February 2017

Wellington