

BATHURST RESOURCES LIMITED

Financial statements for the year ended 30 June 2016

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



Toko Kapēa
Chairman, 29 August 2016



Russell Middleton
Director, 29 August 2016

Bathurst Resources Limited
Consolidated Income Statement
For the year ended 30 June 2016

	Notes	Group	
		2016 \$'000	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.

Bathurst Resources Limited
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2016

	Notes	Group	
		2016 \$'000	2015 \$'000
Profit/(loss)		1,031	(16,406)
Other comprehensive income/(loss), net of tax			
<i>Items that may be reclassified to profit or loss</i>			
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.

Bathurst Resources Limited
Consolidated Balance Sheet
As at 30 June 2016

	Notes	Group	
		2016	2015
		\$'000	\$'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		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	19	2,563	8,549
Deferred consideration	20	873	1,730
Provisions	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 above balance sheet should be read in conjunction with the accompanying notes.

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

Bathurst Resources Limited
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.

Bathurst Resources Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2016

	Notes	Group	
		2016 \$'000	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.

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	Buildings	Mine Infrastructure	Plant & Machinery	Furniture, fittings and equipment	Other	Work In Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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.

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.

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.

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

4. Cost of sales

	Group	
	2016	2015
	\$'000	\$'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

5. Administrative and other expenses

Administrative and other expenses includes the following items:

	Group	
	2016	2015
	\$'000	\$'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	2015
	\$'000	\$'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	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	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)
<i>Tax effect of amounts that are not deductible / (assessable) in calculating taxable income:</i>		
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	2015 \$'000
New Zealand imputation credit account		
Available for use in future periods	815	1,061

9. Impairment losses

	Notes	Group	
		2016 \$'000	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

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	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	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	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	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.

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 (restated¹)							
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 (restated¹)							
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 (restated¹)							
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	2015 \$'000
Cost	5,037	644
Accumulated depreciation	(766)	(218)
Net book value	4,271	426

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

	Group	
	2016 \$'000	2015 \$'000
Exploration and evaluation assets		
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.

17. Deferred tax asset/(liabilities)

	Group	
	2016	2015
	\$'000	\$'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	2015
	\$'000	\$'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	2015
	\$'000	\$'000
Current		
<i>Secured</i>		
Bank loans	1,439	2,471
Property loans	-	5,865
Lease liabilities	1,124	213
	2,563	8,549
Non-current		
<i>Secured</i>		
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.

(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.

Bathurst Resources Limited
Notes to the financial statements
For the year ended 30 June 2016

	Group	
	2016 \$'000	2015 \$'000
Current		
<i>General Security Agreement</i>		
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		
<i>First and exclusive mortgage</i>		
Freehold land and buildings	1,133	1,133
<i>Finance lease</i>		
Plant and equipment	4,271	426
<i>General Security Agreement</i>		
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		Present value of minimum lease payments	Future minimum lease payments		Present value of minimum lease payments
	2016	Interest	2016	2015	Interest	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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	2015
	\$'000	\$'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.

(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	2015
	\$'000	\$'000
Current		
Rehabilitation	295	247
Restructuring provision	55	380
	350	627
Non-current		
Rehabilitation	3,419	3,274
	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)
	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	2015
	Number of Shares 000s	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
	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	2015
	\$'000	\$'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.

24. Earnings per share

	Group	
	2016	2015
	Cents	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)
(c) Reconciliation of earnings used in calculating earnings per share	\$'000	\$'000
<i>Earnings used in the calculation of basic and dilutive Earnings per share:</i>		
Earnings from continued operations	1,031	(16,406)
Total earnings	1,031	(16,406)
(d) Weighted average number of shares used as the denominator	Number of Shares 000s	Number of Shares 000s
Weighted average number of ordinary shares during the period used in the calculation of basic earnings per share	958,360	947,657
<i>Adjustments for calculation of diluted earnings per share:</i>		
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	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.

(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:

	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying value
Group - 30 June 2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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	2015
	\$'000	\$'000
Financial Assets		
<i>Loans and receivables</i>		
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		
<i>Amortised cost</i>		
Trade and other payables	5,454	6,002
Borrowings	5,140	9,010
<i>Fair value</i>		
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

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

	Short term benefits \$000's	Share based payments \$000's	Termination benefits \$000's	Total \$000's
Group				
30 June 2016				
Management	1,163	284	289	1,736
Directors	248	25	-	273
Total	1,411	309	289	2,009
Group				
30 June 2015				
Management	1,696	303	1,485	3,484
Directors	259	-	-	259
Total	1,955	303	1,485	3,743

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	2015
	\$'000	\$'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	-	-

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

²Mr 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	2015
	\$'000	\$'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.



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
29 August 2016

Wellington