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## 2011 ANNUAL REPORT



**BATHURST**  
RESOURCES LIMITED

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## CORPORATE DIRECTORY

### BOARD OF DIRECTORS

**Craig Munro**  
Non-Executive Chair

**Hamish Bohannon**  
Managing Director and  
Chief Executive Officer

**Gerry Cooper**  
Executive Director

**Rob Lord**  
Non-Executive Director

**Malcolm Macpherson**  
Non-Executive Director

### COMPANY SECRETARY

**Timothy Manners**

### REGISTERED OFFICE

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West Perth 6005, Western Australia  
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E: [info@bathurstresources.com](mailto:info@bathurstresources.com)  
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### SOLICITORS

#### Australia

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W: [www.bellgully.com](http://www.bellgully.com)

### AUDITORS

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Chartered Accountants  
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Perth 6000, Western Australia  
T: +61 8 9238 3000  
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W: [www.pwc.com.au](http://www.pwc.com.au)

### BANKERS

**Westpac Banking Corporation**

### STOCK EXCHANGE LISTING

The company's shares are listed on the Australian Stock Exchange (ASX) and the New Zealand Stock Exchange (NZX) under the code BTU.

### SHARE REGISTRY

#### Australia

**Computershare Investor Services Pty Limited**  
Level 2, 45 St Georges Terrace  
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**Computershare Investor Services Limited**  
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W: [www.computershare.co.nz/investorcentre](http://www.computershare.co.nz/investorcentre)

### ANNUAL GENERAL MEETING OF SHAREHOLDERS

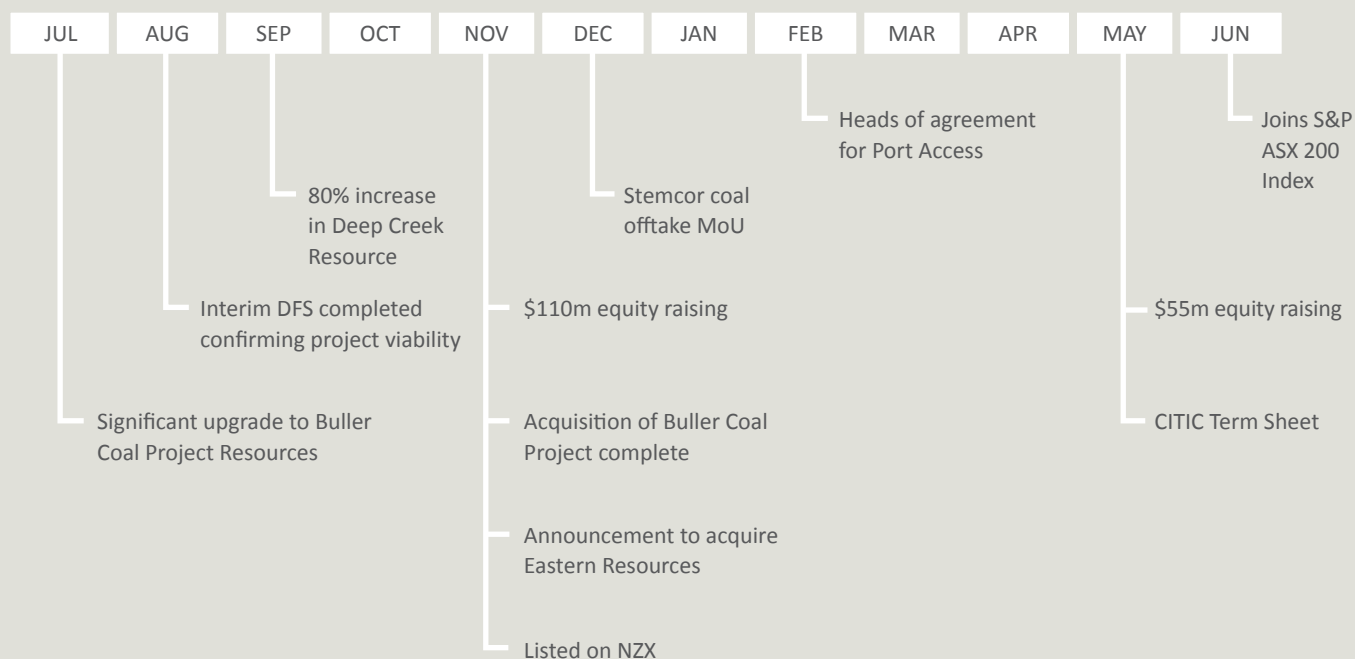
To be held at 10.00am on Tuesday  
29 November 2011 at Wentworth Sofitel Hotel,  
Phillip Street, Sydney.

## HIGHLIGHTS 2010/2011

- Bathurst becomes a New Zealand coal producer through the acquisition of Eastern Resources
- Acquisition of Buller Project from L&M completed
- Announced agreement to acquire the Brookdale assets at Buller Coal Project
- Increased coal resources at Buller Coal Project to 72.8 Mt at year end
- Executed a Memorandum of Understanding and Term Sheet for two coal offtake agreements



### TIMELINE: JULY 2010 – JUNE 2011





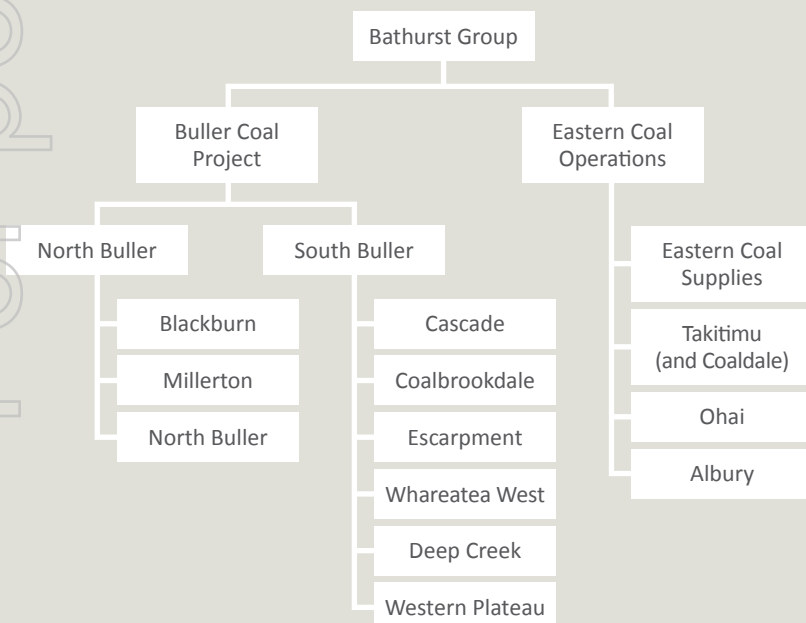
## BATHURST RESOURCES

Bathurst Resources Limited ("Bathurst", "the group") was floated on the Australian Stock Exchange in December 2007 and listed on the New Zealand Stock Exchange in November 2010. Bathurst is a New Zealand coal miner, producing high quality hard coking coal for export from the Buller coalfields at Westport and thermal coal for the domestic market from the Takitimu mine near Nightcaps, both on the South Island.

The flagship of the group is the Buller Coal Project at Westport which is initially targeting 1 Mtpa of coal production by 2013 building up to 2 Mtpa by 2015 from its South Buller operations with the potential to expand to 4 Mtpa of high quality hard coking coal with a second mining operation at North Buller, currently the subject of a pre-feasibility study. Bathurst aims to be producing 4 million tonnes per annum of high quality coking coal by 2016.

The Buller Coal Project was founded on the acquisition of L&M Coal Limited in 2010 which owned substantial exploration leases in the Buller coalfields. Since that time the group has made two further strategic acquisitions – Eastern Resources Group Limited ("Eastern Resources"), providing Bathurst with immediate coal production, and the Brookdale assets – completing Bathurst's consolidation of its South Buller operation.

The Buller Coal Project comprises the Brunner Coal Measures across the top of the plateaus on the west coast of the South Island. The project area is quite extensive, with some 60 kilometres of strike length, but falls naturally into two domains, either side of Solid Energy's Stockton mine. The company plans to develop these domains as two separate mining operations; North Buller and South Buller. The two recent acquisitions of Eastern Resources and Brookdale fall into the South Buller operations.



## CHAIRMAN AND MANAGING DIRECTOR'S REPORT

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We are delighted to be able to report to you on our activities during 2010/2011 – a strong year for Bathurst on its path to becoming a major New Zealand coal producer.

The group has started its journey as a New Zealand coal producer, following the acquisition of two operating mines as part of the Eastern Resources purchase.

The investment community has demonstrated its faith in Bathurst as evidenced by successful capital raisings totalling \$165 million during the year.

Since balance date, we have further added to our South Buller operation with the acquisition of the Brookdale assets on the Denniston Plateau. The resource consents for our Escarpment mine were also granted in August, however we now await the outcome of three appeals against these consents.

### EQUITY RAISING

Bathurst undertook two equity raising activities during the year, which provided capital to settle the acquisition of the Buller Coal Project from L&M Coal and to fund the strategic acquisitions of Eastern Resources and the Brookdale assets.

On 8 November we announced the successful completion of the placement of 253,333,334 shares at \$0.30 each, raising \$76 million, complemented shortly thereafter by a 1 for 2 non-renounceable rights issue supported by 93% of shareholders, providing an additional \$34 million in capital.

The successful completion of a further placement of 52.4 million shares at \$1.05 per share was announced on 4 May 2011, raising approximately \$55 million. This placement was well supported by new as well as existing institutional investors.

This strong investor support provides us with great confidence that our enhanced asset position as a result of strategic acquisitions is positive for our shareholders.

### NZX LISTING

Consolidating its commitment to becoming a major New Zealand coal producer, Bathurst dual listed on the New Zealand Stock Exchange in November 2010 and has recently opened its New Zealand office in Wellington.

### FINANCIAL RESULTS

Total coal sales revenue reported for the year was \$4.0 million, all derived from the Eastern Resources operations. The Eastern Resources operations were under the control of Bathurst for a period of just over three months.

Our earnings showed a net loss for the group of \$13.5 million for the year to 30 June 2011 (2010: \$8.4 million loss).

As at 30 June 2011 our cash on hand totalled \$87.4 million which has left us well funded for our planned development activities.

As Bathurst became a producer of coal during the year, and as we look towards the first coal exports prior to the end of the 2011 calendar year, we look forward to continued growth with a strong balance sheet to support future development and expansion opportunities.





## ACQUISITIONS

In November, Bathurst completed the settlement of the Buller Coal Project acquisition from L&M Coal Holdings Limited. This project will be the cornerstone asset for Bathurst for many years to come. Following the settlement, the group has made solid progress in realising the full potential of the project including entering into Memorandums of Understanding and Heads of Agreements for rail and port access, and obtaining resource consents for the Escarpment block, being the initial project area (subject to appeal). The group has now turned its attention towards the next steps in the process for Buller – finalising offtake agreements, securing approval of access arrangements and achieving environmental consents.

Also in November, we announced the acquisition of 100% of Eastern Resources from Galilee Energy Limited (“Galilee”) for A\$35 million with settlement made in March 2011. Having already paid the initial deposit, the final payment upon settlement totalled A\$31.2 million which included a A\$5.1 million loan repayment to Galilee on behalf of Eastern Resources. As noted, this acquisition saw Bathurst start to fulfil its vision of being a significant New Zealand coal producer, with production from both the Cascade and Takitimu mines. As well as providing Bathurst with immediate coal production and sales revenue, the Eastern Resources acquisition provided the group with access to the highly prospective Whareatea West exploration tenement which is adjacent to, and on the same coal seam as, the Escarpment block.

As at year end, the Eastern Resources acquisition saw Bathurst’s JORC compliant resources at the Buller Coal Project increase significantly to 72.8 million tonnes, within a total exploration potential across the Buller and Eastern Resources assets of 125-167 million tonnes<sup>1</sup>. Subsequent to the end of the year the group announced an increase in its JORC compliant resources at the Buller Coal Project to 81.7 million tonnes. Refer to page 14 for more details on the reserves and resources of Bathurst.

In May, Bathurst entered into an agreement with Mr Robert Griffiths and Brookdale Mining Limited to acquire the Brookdale assets on the Denniston Plateau, covering an area of 341.6 hectares. The leases across three blocks are strategically located immediately above Bathurst’s Cascade mine and adjacent to the Escarpment block on

the other side to Whareatea West. This acquisition was formally completed post-balance date in July.

The three blocks (known as Coalbrookdale) in the acquisition comprise two fully consented permits for small underground operations and partially consented permits for one open cast operation. The recently announced resources update shows that an initial JORC compliant resource of 9.7 million tonnes has been established. The group believes the Coalbrookdale blocks provide exploration potential of 15-25 million tonnes.

## BULLER COAL PROJECT DEVELOPMENT

In November the Definitive Feasibility Study (DFS) results for the Buller Coal Project were validated by independent peer review, confirming the technical and economic viability of the project.

In December, Bathurst executed a Memorandum of Understanding with Stemcor Australia Pty Ltd, a subsidiary of Stemcor Holdings Limited, for the sale of coal from the Buller Coal Project. Stemcor is the world’s largest independent steel trader with turnover exceeding US\$5.5 billion and trading approximately 15 million tonnes of steel and steel-making raw materials annually.

The five-year agreement comprises an exclusive agency agreement for 45% of the first 1 million tonnes of annual production plus 30% of any additional production above 1 Mtpa. This partnership offers Bathurst the opportunity to maximise value for its product without committing large quantities of the asset for lengthy periods of time.

Early in 2011, Bathurst entered into a heads of agreement with Westport Harbour to gain exclusive use of a coal handling facility to ship coal from the Buller Coal Project – a key milestone in finalising the logistics chain that will see the value of the Buller coalfield realised in international markets.

In May, Bathurst signed a Term Sheet with CITIC Resources Australia Pty Ltd, a subsidiary of CITIC group in China – the country’s twelfth largest corporation. The key terms of the Term Sheet include a five-year term from the commencement of first coal production from the South Buller leases, with CITIC to act as principal for sales of 30% of annual production.

We believe that the CITIC agreement, when finalised, establishes an

appropriate mix of contracted offtake and spot coal exposure, with Bathurst having now locked away around 67% of its production for the first five years.

Late in June, Buller Coal Limited reached agreement with Solid Energy New Zealand Limited to collaborate as each business sought to develop export coal resources on the Denniston Plateau, the site of Buller’s Escarpment mine. Items of agreement include provision for collaborative mine planning and designs, a coal transport agreement, shared usage of infrastructure and the two parties working together to ensure sufficient long-term water availability.

The agreement will encourage efficient use of resources and will avoid unnecessary duplication of assets on the plateau, demonstrating both companies’ commitment to sustainable mining practices.

A key milestone was achieved after balance date in August, whereupon Buller Coal Limited was granted resource consents (environmental approvals) for the Escarpment Mine Project. Applications for the consents required were made to the West Coast Regional Council and Buller District Council in September 2010, and are subject to strict conditions to mitigate social and environmental impacts associated with the proposed mining activities.

An independent panel of Commissioners approved Buller Coal’s applications for 24 resource consents, and Bathurst has committed to complying as a minimum with the conditions set by the Commissioners as part of our strong commitment to people and the environment.

However, appeals were lodged against these consents by three groups, the West Coast Environment Network, the Fairdown and Whareatea Residents Association and the Royal Forest and Bird Protection Society of New Zealand<sup>2</sup>. Bathurst is attempting to address these appeals through mediation as well as through the New Zealand Environment Court.

Until the appeals are resolved, development of the Escarpment block and construction of the washplant and transport system for the South Buller operations cannot commence. The upgrade of the Westport port facilities will be deferred. Importantly though, coal from the South Buller Cascade and Coalbrookdale blocks can still be exported using the existing Westport facilities.

<sup>1</sup> The estimate of exploration potential was calculated by Bathurst. The potential quantity and quality is conceptual in nature and there has been insufficient exploration to define a mineral resource and it is uncertain if future exploration will result in determination of a mineral resource.

<sup>2</sup> At the time of writing the Directors’ Report, only one notice of appeal had been received. The appeal period has since closed.



**Craig Munro**  
Non-Executive Chair

**Hamish Bohannon**  
Managing Director

## PEOPLE

During the year, the Board of Directors was strengthened by the appointment of independent, Non-Executive Directors Rob Lord and Malcolm Macpherson, both of whom bring extensive business leadership experience to the group.

Early in the year, our executive team was expanded by the appointment of a number of senior executives, as we established our Perth corporate office and a project office in Westport on New Zealand's South Island. Subsequent to the end of the year, the company has established a New Zealand office in Wellington. The Perth office will remain as the company's registered office for the foreseeable future.

On behalf of the Board, we would like to thank all our staff for their dedication and commitment throughout what has been an extremely busy yet rewarding year.

In conclusion, we would like to thank all shareholders for their support as we grow and develop our assets. Bathurst's Directors and executive are fully committed to being a successful, New-Zealand coal mining company and we look forward to your continued support in achieving this outcome.

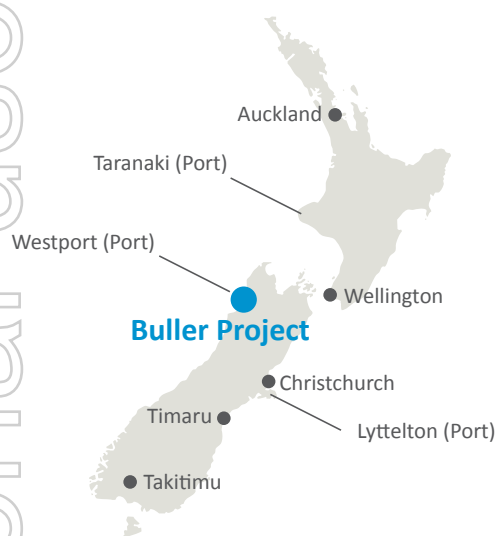
## OUTLOOK

As we look to the coming year with much anticipation, our focus is on the following:

- establishing production at our South Buller operations
- commencing export sales for our Cascade coal
- commencing underground production at Coalbrookdale
- commencing construction of the South Buller wash plant and load out facilities
- commencing upgrades to the Westport port facilities, and
- expanding the Takitimu thermal operations following the recent permitting of the Coaldale leases.

## OPERATIONAL SUMMARY

Bathurst's progression towards the development of our flagship Buller Coal Project remained the focus of the year's activities. This has included advancing the licensing of the project, developing confidence in the coal resource, consolidating the ground position at South Buller and recruiting a professional team in Westport to develop the project.



## BULLER COAL PROJECT

### Background

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

The project comprises the development of two operations both of about 2 million tonnes per annum of high-value coal, most of which will be exported for use in steel mills in India, China, Japan, South Africa and Brazil.

Our first operation, South Buller, is ready for development with only the final licensing hurdles to be achieved. The first mining block, Escarpment, is expected to produce similar high quality coal from the same seams as the Solid Energy owned Stockton mine.

As discussed below, the environmental licences have been granted but are currently subject to three appeals and the access and concession agreements required from the Department of Conservation are in process. South Buller however, is already in production from its Cascade block and should have first production from the Coalbrookdale block early in 2012, both blocks having been acquired in 2011.

The second operation, North Buller, is currently under pre-feasibility study but is expected to be a similar operation to South Buller with coal from the same seam and at similar production rates. Based on current experience with licensing processes in New Zealand, the group is targeting production from North Buller to start in 2016.





The Buller project's exploration potential is in the order of 125-167 million tonnes<sup>1</sup> of hard and semi-soft coking coal, with current JORC compliant resources of 81.7 million tonnes. The mining operations will be a combination of open cast and underground operations so as to have minimum impact on the plateau environment.

### Achievements

During 2010/2011, Bathurst achieved a number of operational milestones in the journey towards production at Buller:

- independent validation of Definitive Feasibility Study (DFS) results
- Memorandum of Understanding for a coal offtake agreement with Stemcor Australia Pty Ltd
- Heads of Agreement with Westport Harbour for exclusive use of a coal handling facility
- signing of an offtake Term Sheet with CITIC Resources Australia Pty Ltd, and
- agreement with Solid Energy New Zealand Limited to collaborate as both companies look to develop assets on the Denniston Plateau.

Following balance date, the following was achieved:

- granting of resource consents for the Escarpment mine, though these are currently subject to appeal, and
- the acquisition of the Brookdale assets – a strategic tenement package adjacent to the group's Escarpment and Cascade blocks.

As noted, we now await the outcome of three appeals against the resource consents which we expect to be either settled by mediation or heard by the Environment Court most likely during the 2012 calendar year.

### Towards production

Initial plans expect mining to commence at the Escarpment block at an annual rate of 0.65 Mtpa, increasing to 1 Mtpa by 2013. At that stage, a second mining block, originally planned to be Deep Creek, is scheduled to be brought into production, subject to permits being granted, allowing a further increase to 2 Mtpa by 2015.

The acquisition of the Eastern Resources and Brookdale assets during the year provided both an increased resources base for the South Buller operations and alternative production sources if, as has eventuated, production from the Escarpment block was delayed. As a result, first export coal from the project is expected before the end of December 2011. Cascade will continue as an open cut operation producing about 75,000

tpa of coal and Coalbrookdale will initially be a shallow underground operation producing at about 250,000 tpa reaching full production in about October 2012.

The Eastern Resources acquisition has also allowed the group to defer the development of Deep Creek in favour of Whareatea West, which is adjacent to Escarpment and does not require significant capital expenditure.

Whilst both the Escarpment and Whareatea West blocks are planned to be conventional open cast coal mining operations, utilising diesel powered hydraulic excavators and rear dump trucks to mine and haul the coal to the Coal Preparation Plant (CPP), underground and boring techniques are also being considered, recognising the high environmental values in some areas of the region.

With the generally low ash content of the product, much of the product will not require washing. Washing will only be required when producing coal from the old underground workings, where



<sup>1</sup> The estimate of exploration potential was calculated by Bathurst. The potential quantity and quality is conceptual in nature and there has been insufficient exploration to define a mineral resource and it is uncertain if future exploration will result in determination of a mineral resource.

contamination with rocks and overburden is likely to occur, and in areas where ash levels are increased due to partings in the seam. It is conservatively estimated that up to 50% of coal produced will require washing and that recoveries of 65% to 75% will be achieved with the lower recoveries expected when treating coal recovered from older workings.

The washed coal will be combined with the raw coal and taken to the dewatering facilities to be built at Fairdown, on the coastal plain below the plateau, through a 250mm transport pipeline. The highly vitrinous coal has shown to be quite suitable to sluicing with little product degradation, allowing us to use a low impact, environmentally safe system to get the coal down the very steep plateau face.

Once dewatered, most of the coal will be taken to Westport by rail for shipping to the deep water port of Taranaki, near New Plymouth, for final export. An agreement with Solid Energy has been reached, allowing up to 500,000 tonnes of coal to be railed through the Southern Alps to the deep water port of Lyttelton for export from there.

## Environmental consents

Late August saw Buller Coal Limited granted environmental approvals for its proposed Escarpment Mine Project in Westport, New Zealand, subject to the conditions that the company mitigate social and environmental impacts associated with the proposed mining activities.

However, since that time, appeals have been lodged by the West Coast Environment Network, the Fairdown and Whareatea Residents Association and the Royal Forest and Bird Protection Society of New Zealand. Unless resolved earlier through mediation, these appeals will be heard in the Environment Court of New Zealand and at this stage a preliminary hearing date has yet to be set. Following the preliminary hearing, dates will be set for the hearings, which are expected to take up to nine months, with six months for hearing and three months for decision. The final decision can only be appealed on matters of law.

Meanwhile the appeals are open to resolution through mediation. Bathurst is committed to working with the authorities to the satisfaction of all parties and will be working through both mediation and the court process towards early resolution of the issues.

The South Buller mine production will be limited to Cascade and Coalbrookdale until the appeals are resolved and the Escarpment block can be bought into production.

## Exploration

Bathurst's objective is to undertake studies into both the northern and southern blocks of the Buller Coal Project. The strategy is to investigate the potential to replicate the development strategy planned for South Buller in the northern blocks and double output to 4 Mtpa by producing an additional 2 Mtpa of coal from this area. Exploration drilling to increase the resource base and confirm the coal qualities of these blocks will be undertaken over the next two years.



## COAL

Coal is a valuable and abundant natural global resource.

There are a number of different types of coal, each used for different processes and products. Coal varies in type from being a simple energy source to a vital element in the manufacture of steel.

Metallurgical or coking coal – the type of coal mined by Bathurst at Buller – is largely used for the manufacture of iron and steel but also some specialised industries such as ferro-silicon.

### What is coal?

Coal is a combustible, sedimentary, organic rock composed of carbon, hydrogen, oxygen, nitrogen and sulphur. It has developed from remains of prehistoric vegetation that originally accumulated in swamps and peat bogs.

Initially the peat is converted into lignite or brown coal, a soft coal with low organic maturity. Over many more millions of years, with continuing effects of temperature and pressure producing further changes to the lignite, its maturity can be increased, transforming it into sub-bituminous coals.

Further chemical and physical changes can occur until these coals become harder and blacker, forming bituminous or hard coals. Under certain conditions, organic maturity can continue further to the formation of anthracite.

The diagram opposite shows the prevalence of different types of coal and how they are typically used.

### Metallurgical coal

Metallurgical coal is a necessary raw material for the production of steel – an essential material for modern life.

The manufacture of steel delivers the goods and services that our societies need – healthcare, telecommunications, improved agricultural practices, better transport networks, clean water and access to reliable and affordable energy.

Global steel production is dependent on coal. Seventy per cent of the steel produced today uses metallurgical coal – or coking coal – as a vital ingredient in the steel making process. World crude steel production was 1.4 billion tonnes in 2010, using around 721 million tonnes of coking coal.

## EASTERN RESOURCES COAL ASSETS

Bathurst commenced as a New Zealand coal producer following the acquisition of Eastern Resources, which included its two producing mines, Cascade and Takitimu, as well as the highly prospective Whareatea West exploration permit, containing JORC compliant resources of 25.7 million tonnes directly adjacent to Bathurst's Escarpment block.

The acquisition also included the Ohai exploration permit which covers an area surrounding the Takitimu mine, the Albury prospecting permit near Timaru and a coal handling distribution centre at Timaru.

### Cascade mine

The Cascade open cut mine currently produces approximately 50,000 tonnes per annum of high value coal for the local industrial market. Production rates have been tailored to suit local demand. Following the acquisition of the asset, Bathurst has commenced increasing production, initially to 75,000 tpa but ultimately to at least 100,000 tpa, as

the coal is from the same seam as at Escarpment and Coalbrookdale and is most suitable for export. The first export shipment is scheduled for late 2011.

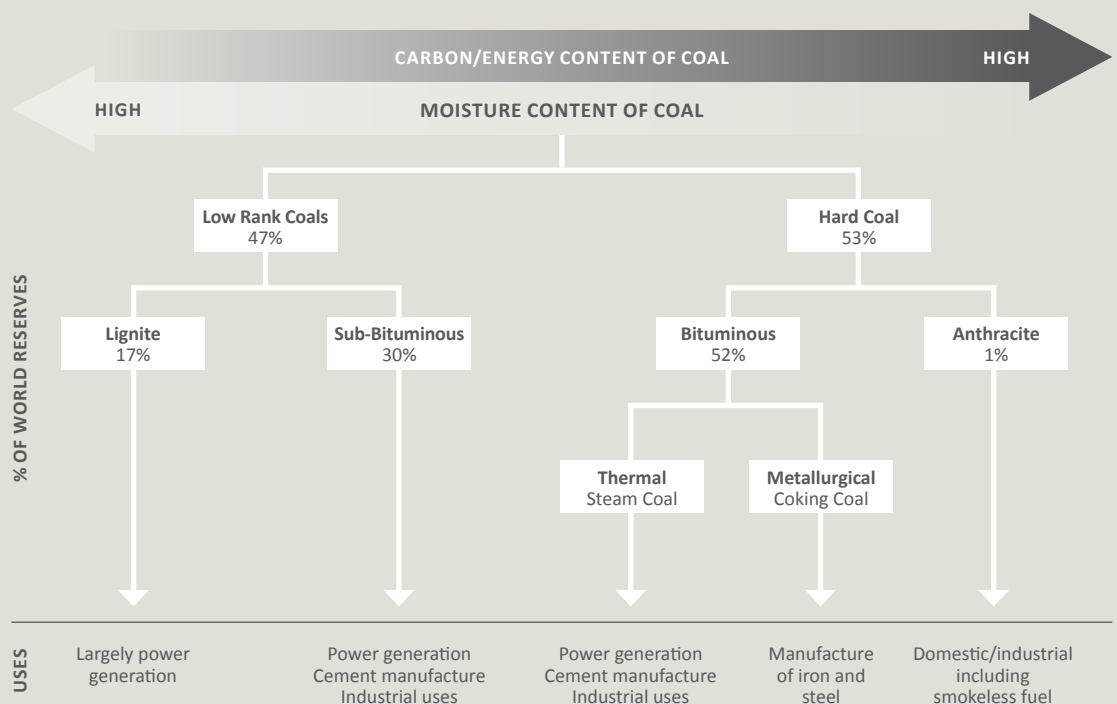
### Takitimu mine

The Takitimu mine is located in the Nightcaps area, north of Invercargill. The mine's largest customer is dairy producer Fonterra. Sub-bituminous coal from the open cut operations is railed to Fonterra's Clondeboy milk processing plant at Temuka. The mine also supplies other large industrial users in the Southland and Canterbury areas.

Since year end, consents for the Coaldale block (which is adjacent to Takitimu and distinct from the Coalbrookdale block

referred to earlier) have been granted, significantly increasing the mine life of the operations. Mine infrastructure, road works and sediment control structures are currently being undertaken, with commencement of overburden stripping imminent.

Production for the Cascade and Takitimu mines, since their acquisition in March 2011, totalled 53,783 tonnes, with sales of 59,647 tonnes for revenues of A\$4 million.



Source: World Coal Association





## SUSTAINABILITY

Sustainable development is a key focus for Bathurst.

We recognise that world-class environmental performance and the development of strong community relations and responsibilities will be essential to our long-term success.

Over the past year, Bathurst has put in place fundamental plans, policies and guidelines to protect the environment in which we operate, working in conjunction with our communities and stakeholders.



## HEALTH AND SAFETY

Bathurst places the protection and welfare of all people affected by the group's activities – employees, contractors and communities – on top of all other business objectives.

We have developed a workplace environment of trust, respect and safety awareness, as a result of comprehensive training programs. We embed a culture of safety first in everything we do, are committed to health and well-being programs, and we promote continuous improvement across all areas of health and safety management.

## ENVIRONMENT

Bathurst is committed to minimising the impact that our activities have on the environment, and we ensure that all employees, contractors and visitors are fully aware of our policy.

Effective management practices and training programs are crucial to this outcome, as is effective communication with relevant regulatory authorities such that we understand their expectations – which we will then strive to exceed.

### Environmental Reference Group

Our commitment to minimising the impact of the group's activities on the environment has been strengthened through the formation of the Environmental Reference, or Kaitiaki Group. The group is an initiative of Bathurst to actively monitor and guide

the environmental performance of the group's New Zealand operations.

The Kaitiaki Group will ensure that Bathurst applies best practice in its environmental management and that it is responsive to the changing needs and expectations of stakeholders and the national community. Kaitiaki is a Maori name embodying the concept of guardianship of the natural environment.

Reporting to the Bathurst Board of Directors, the Kaitiaki Group is led by senior New Zealand conservationist Guy Salmon. Initial membership of the Kaitiaki Group includes Toko Kapea, Director of the Tuia Group, and independent Bathurst Director Rob Lord. Bathurst intends to appoint two additional members in the near future.

### Predator and herbivore management

Bathurst has also put in place programs to ensure protected species such as the Spotted Kiwi and Powelliphanta snail are not endangered. To enhance and monitor populations of the Spotted Kiwi and other important fauna, Bathurst commits to undertaking predator and herbivore management within the Heaphy Flats, Southern Heaphy Silver Beech Forest, Ryan Creek Hard Beech Rimu Forest and the Heaphy Northern Rata Coastal Forest for a minimum of 35 years.

## COMMUNITY

Bathurst considers strong community relations as vital to our long-term operational and financial success.

To ensure support of the communities in which we operate, Bathurst understands we must respect their views and needs. To this end, Bathurst has set up a Community Liaison Group of neighbours, local residents and businesses of Westport to anticipate and resolve issues before they arise and to discuss the results of the monitoring of mine activities.

Through this group, we are currently addressing possible disruptions to recreational assets of the nearby communities of Westport, such as the reinstatement of a circuit cycle track that may be affected during construction of the Escarpment.

We continue to develop our community involvement across a number of areas, seeking opportunity to participate in and support community activities, collaborate on relevant economic and community projects, and develop and implement cultural awareness programs.

# RESOURCES AND RESERVES

## RESOURCES

		AS AT 30 JUNE 2011		AS AT 24 OCTOBER 2011	
STATUS	PROSPECT	Mt	TOTAL (Mt)	Mt	TOTAL (Mt)
<b>North Buller</b>					
Indicated	North Buller	4.8		4.8	
	Blackburn	10.8		10.8	
	Millerton North	4.3	19.9	4.3	19.9
Inferred	North Buller	9.0	9.0	9.0	9.0
<b>Total</b>			<b>28.9</b>		<b>28.9</b>
<b>South Buller</b>					
Measured	Escarpment	3.8		4.4	
	Deep Creek	6.2		6.2	
	Whareatea West	18.0	28.0	18.0	28.6
Indicated	Escarpment	1.6		0.2	
	Deep Creek	3.1		3.1	
	Whareatea West	7.7		7.7	
	Brookdale	-	12.4	4.0	15.0
Inferred	Escarpment	1.9		1.9	
	Deep Creek	1.6		1.6	
	Brookdale	-	3.5	5.7	9.2
<b>Total</b>			<b>43.9</b>		<b>52.8</b>
<b>Total Buller Coal Project</b>			<b>72.8</b>		<b>81.7</b>
<b>Takitimu</b>					
Measured	Takitimu	0.7	0.7	0.6	0.6
Indicated	Takitimu	2.4	2.4	2.4	2.4
Inferred	Takitimu	0.1	0.1	0.1	0.1
<b>Total</b>			<b>3.2</b>		<b>3.1</b>

## CURRENT RESERVE ESTIMATE (ALL SOUTH BULLER):

JORC Reserves (Mt)		AS AT 30 JUNE 2011	AS AT 24 OCTOBER 2011		
PROSPECT	TOTAL	PROVED	PROBABLE	TOTAL	
Escarpment	4.1	4.1	0.3	4.4	
Whareatea West	-	3.9	0.5	4.4	
Deep Creek	8.5	5.8	2.7	8.5	
<b>Total</b>	<b>12.6</b>	<b>13.8</b>	<b>3.5</b>	<b>17.3</b>	

Product Coal (Mt)		AS AT 30 JUNE 2011	AS AT 24 OCTOBER 2011		
PROSPECT	TOTAL	PROVED	PROBABLE	TOTAL	
Escarpment	2.7	2.9	0.2	3.1	
Whareatea West	-	2.6	0.3	2.9	
Deep Creek	7.5	5.1	2.4	7.5	
<b>Total</b>	<b>10.2</b>	<b>10.6</b>	<b>2.9</b>	<b>13.5</b>	

In addition to the Proved and Probable Reserves, a further 2.1Mt of inferred coal resource falls within the pit shell of Escarpment. This additional coal is classified as Inferred due to the presence of old workings, and therefore is not included in the Reserve.

### Competent Persons Statements (as at 30 June 2011)

The information in this report that relates to exploration results and mineral resources for Deep Creek, as well as mining reserves for Escarpment and Deep Creek is based on information compiled by Neil Fraser who is a full time employee of Golder Associates Pty Ltd and is a member of the Australasian Institute of Mining and Metallurgy. Mr Fraser has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Fraser consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to exploration results and mineral resources for Escarpment, Millerton North, Blackburn, and North Buller is based on information compiled by Dr James Pope, of CRL Energy of Christchurch New Zealand who is a consultant to the company through CRL Energy and is a member of the Australasian Institute of Mining and Metallurgy. Dr Pope has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Pope consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Coal Resources for Whareatea West (EP 40591), Takitimu (ML 37079) and the Takitimu Adjoining Land is based on information compiled by Mr Ian Poppitt of Linsdee Holdings Pty Ltd, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Poppitt has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the JORC Code. Mr Poppitt consents to the inclusion in the ASX release of the matters based on the information in the form and context in which it appears.

### Competent Persons Statements: (as at 24 October 2011)

The information in this report that relates to exploration results and mineral resources for Escarpment, Brookdale, and Deep Creek, as well as mining reserves for Escarpment, Whareatea West, and Deep Creek is based on information compiled by Neil Fraser who is a full time employee of Golder Associates Pty Ltd and is a member of the Australasian Institute of Mining and Metallurgy. Mr Fraser has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Fraser consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to exploration results and mineral resources for North Buller, Blackburn, and Millerton North is based on information compiled by Dr James Pope, of CRL Energy of Christchurch New Zealand who is a consultant to the company through CRL Energy and is a member of the Australasian Institute of Mining and Metallurgy. Dr Pope has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Pope consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Coal Resources for Whareatea West, Takitimu (ML 37079), and the Takitimu Adjoining Land is based on information compiled by Mr Ian Poppitt of Linsdee Holdings Pty Ltd, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Poppitt has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the JORC Code. Mr Poppitt consents to the inclusion in the ASX release of the matters based on the information in the form and context in which it appears.



## FINANCIAL REPORT

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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 year ended 30 June 2011.

### DIRECTORS

The following persons were Directors of Bathurst Resources Limited at any time during the whole of the financial year and up to the date of this report:

<b>Craig Munro</b>	Non-Executive Chair
<b>Hamish Bohannon</b>	Managing Director
<b>Gerry Cooper</b>	Executive Director
<b>Rob Lord</b>	Non-Executive Director (appointed 17 August 2010)
<b>Malcolm Macpherson</b>	Non-Executive Director (appointed 5 January 2011)

### PRINCIPAL ACTIVITIES

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

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

### DIVIDENDS

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

### REVIEW OF OPERATIONS AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

#### Operational

The 2011 financial year was a significant one for Bathurst which saw the company consolidate its significant and highly prospective permit holdings in the Buller region of New Zealand, and through the acquisition of the Eastern Resources Group in March 2011, become a producer of coal in New Zealand.

In November 2010 Bathurst completed its acquisition of Buller Coal Limited ("Buller") (formerly L&M Coal Limited) which is the owner of the Buller Coal Project. On completion, Bathurst paid US\$35 million to L&M Coal Holdings Limited ("L&M") (this was in addition to the US\$5 million deposit in June 2010). Two further performance payments of US\$40 million each are due when the Project moves into production; the first on the shipment of 25,000 tonnes of coal and the second on the shipment of 1 million tonnes from the L&M leases. Bathurst also entered into a royalty deed with L&M whereby Bathurst has agreed to pay a long term royalty to L&M.

The Definitive Feasibility Study ("DFS") on the first two scheduled blocks of the Buller Coal Project ("the Project"), Escarpment and Deep Creek was completed during the year. The DFS confirmed the technical and economic viability of the Project and established significant JORC compliant Resources of 47.1 million tonnes, which should underpin a mine life in excess of 20 years.

The DFS also established its initial JORC compliant Reserve of 12.6 million tonnes for the Escarpment and Deep Creek blocks.

Since the acquisition of the Project, Bathurst has commenced the environmental approval process for the Project with the public hearing for the Resource Consents. These public hearings progressed well and the hearing was formally closed on 5 August 2011. On 26 August 2011, Bathurst was advised that the Resource Consent for the proposed Escarpment Mine Project had been formally granted subject to certain conditions. The Resource Consents are still subject to appeal. The appeal period closes on or about 19 September 2011. At the date of this report one appeal has been lodged with the Environment Court of New Zealand.

In March 2011, Bathurst completed its acquisition of the Eastern Resources Group Limited ("Eastern") from Galilee Energy Limited ("Galilee") for \$28.5 million. In addition to this, Bathurst repaid \$5.1 million on behalf of Eastern to Galilee in satisfaction of the loan between Eastern and Galilee. Bathurst has now assumed this loan. Eastern's operations include the Whareatea West permit which is located adjacent to the existing Escarpment block. The acquisition also includes two operating coal mines, Cascade, also adjacent to the Escarpment block, which produces approximately 50,000 tonnes per year of semi-soft coking coal, and Takitimu in the Ohai region of New Zealand which produces approximately 160,000 tonnes per year of thermal coal.

The acquisition of Eastern significantly increased the JORC compliant Resources of the Project by 25.7 million tonnes giving a total group JORC compliant Resource position of 72.8 million tonnes.

## DIRECTORS' REPORT

In May 2011, Bathurst entered into an agreement with Mr Robert Griffiths and Brookdale Mining Limited (an associated entity of Mr Griffiths) to acquire the Brookdale assets on the Buller Plateau. The consideration was \$11.3 million (US\$12 million) and the issue of 15 million shares in Bathurst Resources Limited. In addition to this, a life of mine royalty based on a fixed percentage of sales will be payable. The assets include a permit area of over 340 hectares across three blocks located immediately above Bathurst's Cascade mine and adjacent to the Escarpment block. This acquisition has completed Bathurst's consolidation of its South Buller operation.

This acquisition was completed in July 2011 (refer to note 33 of the financial statements for further detail on the completion).

During the year Bathurst reached two significant agreements in regards to coal offtake and funding arrangements for the Buller Coal Project, the first being the execution of a Memorandum of Understanding ("MoU") with Stemcor Australia Pty Limited ("Stemcor"). The MoU allows for a five year sales term with a coal finance facility of up to US\$50 million and gives Stemcor an exclusive agency agreement for 45% of the first 1 million tonnes of production plus 30% of any additional production above 1 mtpa. Bathurst and Stemcor are in the process of finalising the agreements.

The second was the execution of a Term Sheet with CITIC Resources Australia Pty Limited ("CITIC"). The Term Sheet allows for a five year sales term with a Finance Facility of up to US\$40 million and gives CITIC the right to act as principal for the sales of 30% of annual production. The Term Sheet is currently non-binding, with both parties working towards a formal offtake and financing agreement.

Bathurst concluded two other significant operational agreements during the year, the first being a Heads of Agreement with Westport Harbour to gain exclusive use of a coal handling facility to ship coal from the Buller Coal Project. This was a key milestone in finalising the logistics chain that will see the value of the Buller coal field realised in international markets.

The second significant operational agreement was a collaborative agreement with Solid Energy New Zealand Limited ("SENZ") which will see the sharing of certain facilities between Bathurst and SENZ ensuring the efficient use of resources on the Plateau. The agreement also gives Bathurst access to the rail line from Westport to the Port of Lyttelton for a proportion of future coal production.

### Eastern Resources Group Activities

As mentioned above, Eastern operates two coal mines in New Zealand, both of which operated slightly above forecasts for Bathurst's period of ownership and had no lost time injuries.

Production for the Cascade and Takitimu mines for Bathurst's period of ownership (18 March 2011 to 30 June 2011) was as follows:

PRODUCTION (T)	OVERBURDEN (BCM'S)	SALES (T)	SALES (NZ\$)	SALES (A\$)
53,783	892,759	59,647	5,390,699	4,044,539

#### Cascade Coal Limited (MP 41455)

The Cascade open cut mine is situated adjacent to the Escarpment and Brookdale blocks in the Buller Coal region of New Zealand. During the period of ownership stripping commenced in the Adams block as coal winning drew to an end in the Durkins block. A plan is currently being put in place to increase the mine's production to support the commencement of a small export operation as well as continuing to support domestic demand for the product. This will require additional manning and machinery. Additionally, expansion into the neighbouring Escarpment and Brookdale blocks is being investigated.

#### Takitimu Coal Limited (ML 37079)

The Takitimu mine is located in the Ohai area north of Invercargill. Sub-bituminous coal from the open cut operations is railed to a number of customers in the Southland and Canterbury areas.

Stripping and coal winning are progressing in the Eastern Highwall block which will establish the final pit limit to the East. The exhausted pit is progressively being backfilled as coal winning progresses. Coal winning is continuing into the neighbouring block which is under a separate royalty agreement.

Consents for the adjacent Coaldale block have been granted and the mining services contract is out to tender. Mine infrastructure, road works and sediment control structures are planned for the September quarter with commencement of overburden stripping scheduled for the December quarter.



# DIRECTORS' REPORT

## REVIEW OF OPERATIONS AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS (CONTINUED)

### Corporate

During the year Bathurst completed two significant capital raisings.

In November 2010 Bathurst raised \$110 million through a placement of 253.3 million shares at \$0.30 per share to raise approximately \$76 million and a 1 for 2 non-renounceable rights issues at \$0.30 per share to raise approximately \$34 million. This capital raising was approved by shareholders at the General Meeting held on 4 November 2010.

In May 2011 Bathurst raised \$55 million by way of an issue of 52.4 million shares at \$1.05 per share. This capital raising was completed in conjunction with the acquisition of the Brookdale assets and was within the company's 15% discretionary placement capacity.

During the year Bathurst was dual listed on the New Zealand Stock Exchange ("NZX"). Bathurst was listed on the NZX in accordance with its agreement with L&M Holdings Limited to acquire the Buller Coal Project. Bathurst sees this as a major step in establishing itself as a New Zealand focused coal mining company.

As at 30 June 2011 the group had cash available of \$87.4 million (2010: \$8.3 million).

On 3 June 2011 Bathurst was added to the S&P ASX 200 Index.

### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 21 July 2011 Buller Coal Limited, a subsidiary of Bathurst, completed the acquisition of the Brookdale assets. These assets comprise three permit areas adjacent to Bathurst's existing Cascade and Escarpment blocks. Settlement was made via the \$7.5 million (US\$8 million) cash payment and the issue of 15 million shares in Bathurst Resources Limited. This was in addition to the \$3.6 million (US\$4 million) deposit paid in May 2011. As part of the acquisition, a life of mine royalty based on a fixed percentage of sales will be payable.

The financial effects of this transaction have not been reflected at 30 June 2011, except for the recognition of the deposit paid in May 2011 of \$3.8 million (US\$4 million).

On 26 August 2011, Bathurst was advised that the Resource Consent for the proposed Escarpment Mine Project had been granted subject to certain conditions. The Resource Consents are subject to appeal. The appeal period closes on or about 19 September 2011. Further details around the conditions imposed by the Resource Consents are contained in the announcement made to the ASX and NZX on 29 August 2011. At the date of this report one appeal has been lodged with the Environment Court of New Zealand.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Subject to the required permits being in place for Escarpment the operations of the group are expected to expand over the next year with the construction of infrastructure to support the Buller Coal Project and the shipment of the first coal from the Project.

Notwithstanding the approvals required for Escarpment, Bathurst expects to export its first shipment of coal in the December quarter of 2011 from its existing operations at Cascade. The development of the Brookdale mine is expected to follow in 2012 adding to the export potential for Bathurst.

### ENVIRONMENTAL REGULATION

The Bathurst group's exploration and mining activities are subject to a range of environmental regulations which govern how Bathurst carries out its business. These regulations are set out below.

#### Mine development approvals

Bathurst is required to obtain Resource Consents under the *Resource Management Act 1991* ("RMA"). A Resource Consent is required for mining activities and the construction/development of infrastructure within the permit area. In addition to this, under the *Crown Minerals Act 1991* and the *Conservation Act 1987*, Bathurst must enter into Concession Agreements with New Zealand's Department of Conservation to enter and operate on Crown land. The relevant authorities are consulted throughout the approvals process, and to the best of the Directors' knowledge, all approval activities have been undertaken in compliance with the requirements of the RMA, Crown Minerals Act and Conservation Act.

#### Exploration activities

In order to enter Crown land and engage in exploration activities Bathurst must enter into a Concession Agreement with New Zealand's Department of Conservation, as required under the *Crown Minerals Act 1991* and the *Conservation Act 1987*. Bathurst has, to the best of the Directors' knowledge entered into all appropriate agreements and acted in accordance with those agreements in regards to engaging in exploration activities on Crown Land.

## DIRECTORS' REPORT

### *Mining activities*

The mining activities of the group are regulated by the Resource Consent that grants Bathurst the right to engage in the mining activity. The Resource Consents involve both the District and Regional Councils. In addition to this, a mining permit or licence is required to engage in mining activities on Crown land. These permits/licences are issued by the Ministry of Economic Development under the *Crown Minerals Act 1991*. Conditions around water and air discharges that result from the mining operations are governed by the Resource Consent that the operation is operating under. The mining operations of Bathurst are inspected on a regular basis and no instances of non-compliance have been noted.

### *Hazardous substances*

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

### *Emissions Trading Scheme*

The New Zealand Emissions Trading Scheme ("NZ ETS") came into effect from 1 July 2010 which essentially makes Bathurst liable for greenhouse gas emissions associated with coal sold in New Zealand and for the fugitive emissions from coal seams exposed in New Zealand. Bathurst's liability is based on the type and quantity of coal tonnes sold, with the cost of such being passed onto Bathurst's customers.

## INFORMATION ON DIRECTORS

### **Mr Craig Munro**

FCPA, FAusIMM

*Non-Executive Chair*

### **Experience and expertise**

Craig Munro is a Certified Practicing Accountant with over 35 years' experience in the mining industry. He was previously Senior Vice President Corporate & Finance and Chief Financial Officer of Anvil Mining Limited. He has been both an executive director and non-executive director of a number of listed companies since 1990. He is currently a Director of Humanis Group Limited and was previously a Director of Gallery Gold Limited.

### **Other current directorships of listed companies**

Humanis Group Limited – Non-Executive Director

### **Former directorships in last 3 years of listed companies**

None

### **Special responsibilities**

Chair of the Board

Member of Remuneration & Nomination Committee

Member of Audit Committee

Chair of Response Committee

### **Interests in shares and options**

462,526 fully paid ordinary shares in Bathurst Resources Limited

4,500,000 unlisted options over ordinary shares in Bathurst Resources Limited

# DIRECTORS' REPORT

## INFORMATION ON DIRECTORS (CONTINUED)

### Mr Hamish Bohannon

BSc Hons Mining, MSc Rock Mechanics, MBA, FAusIMM, CE, MAICD

*Managing Director*

#### Experience and expertise

Hamish Bohannon is a mining engineer with 30 years' experience in the resources industry, starting as a miner with Gold Fields in South Africa before completing a degree at the Royal School of Mines. He has been actively involved in many areas of the industry including dredging and open cut mining, processing and smelting having worked around the globe in various metals from copper and gold to nickel and mineral sands. Previously CEO of Braemore Resources, Hamish has also held executive positions with Cyprus Minerals, WMC Ltd, Iluka and IAMGold.

#### Other current directorships of listed companies

Tectonic Resources NL – Non-Executive Chair

#### Former directorships in last 3 years of listed companies

Braemore Resources PLC – Managing Director

Lachlan Star Ltd – Non-Executive Director

#### Special responsibilities

Managing Director

Member of Response Committee

#### Interests in shares and options

12,070,658 fully paid ordinary shares in Bathurst Resources Limited

10,000,000 unlisted options over ordinary shares in Bathurst Resources Limited

### Mr Gerald Cooper

MAICD

*Executive Director*

#### Experience and expertise

Gerald Cooper is a qualified marine engineer who served for a number of years as a seagoing engineer before moving onto the power generation field. Following emigration to Australia, he worked within the mining industry in engineering and maintenance related roles for Monadelphous Engineering, Cyprus Gold, Arimco, Copper Mines of Tasmania, Pegasus Gold, Acacia Resources and WMCF Phosphate Hill.

Mr Cooper subsequently moved overseas to work for AshantiGold in Guinea and Iluka Resources in the United States. He was group Engineering Manager for IAMGold before returning to Australia in 2007 and taking up a position as VP Engineering and Maintenance with Braemore Resources.

#### Other current directorships of listed companies

None

#### Former directorships in last 3 years of listed companies

None

#### Special responsibilities

General Manager – Engineering & Construction

Member of Response Committee

#### Interests in shares and options

300,000 fully paid ordinary shares in Bathurst Resources Limited

8,000,000 unlisted options over ordinary shares in Bathurst Resources Limited



## DIRECTORS' REPORT

### Mr Rob Lord

BSc, MBA

*Non-Executive Director*

#### Experience and expertise

Rob Lord was recently the managing Director and Chief Executive Officer of Gloucester Coal Ltd a successful ASX 200 publically listed company specialising in coal mining and marketing.

Prior to his appointment at Gloucester Coal, Mr Lord worked in the pulp and paper industry for 19 years, most recently as Executive Vice President responsible for the Australasian operations of Norwegian-based Norske Skog. Mr Lord has also worked in a variety of senior international marketing and sales roles including head of marketing and sales roles at Norske Skog Australasia, Fletcher Challenge Paper Australasia and Tasman Pulp and Paper in New Zealand. Mr Lord is a Director of Norske Skog Industries Australia Limited which is an unlisted public company.

#### Other current directorships of listed companies

None

#### Former directorships in last 3 years of listed companies

Gloucester Coal Limited – Managing Director

#### Special responsibilities

Member of Remuneration & Nomination Committee

Chair of Audit Committee

Member of Response Committee

#### Interests in shares and options

460,938 fully paid ordinary shares in Bathurst Resources Limited

3,500,000 unlisted options over ordinary shares in Bathurst Resources Limited

### Mr Malcolm Macpherson

BSc, Cert.Acctg, FAICD, FAusIMM, FTSE

*Non-Executive Director*

#### Experience and expertise

Malcolm Macpherson is an experienced business leader in the resources sector in Australia and overseas. Mr Macpherson held a successful seven year tenure as Managing Director and Chief Executive Officer of Iluka Resources Limited.

Mr Macpherson has held board positions with other notable companies and organisations such as Portman Limited, Eltin Limited, and Western Power Corporation (as Chair). Mr Macpherson has also had active roles in research and innovation, including an advisory role to the CSIRO.

#### Other current directorships of listed companies

Minara Resources Limited – Non-Executive Chair

Pluton Resources Limited – Non-Executive Chair

Titanium Corporation Limited – Non-Executive Director

#### Former directorships in last 3 years of listed companies

Range River Gold Limited – Non-Executive Director

#### Special responsibilities

Chair of Remuneration & Nomination Committee

Member of Audit Committee

#### Interests in shares and options

40,000 fully paid ordinary shares in Bathurst Resources Limited

2,000,000 unlisted options over ordinary shares in Bathurst Resources Limited

## DIRECTORS' REPORT

### COMPANY SECRETARY

The Company Secretary is Mr Tim Manners BBus, FCA, ACIS. Mr Manners was appointed to the position of joint Company Secretary on 30 August 2010 and became the sole Company Secretary upon the resignation of Graham Anderson on 3 February 2011. Mr Manners has over 18 years' experience in senior financial positions within the resources sector. He is also Chief Financial Officer of the company.

### MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors and of each Board committee held during the year ended 30 June 2011, and the numbers of meetings attended by each Director were:

	MEETINGS OF COMMITTEES							
	FULL MEETINGS OF DIRECTORS		AUDIT		REMUNERATION/ NOMINATION		RESPONSE	
	A	B	A	B	A	B	A	B
Craig Munro	17	18	2	2	4	4	-	-
Hamish Bohannan	18	18	**	**	**	**	-	-
Gerald Cooper	17	18	**	**	**	**	-	-
Rob Lord	17	17	2	2	4	4	-	-
Malcolm Macpherson	7	8	2	2	4	4	**	**

A = number of meetings attended

B = number of meetings held during the time the director held office or was a member of the committee during the year

\*\* = not a member of the relevant committee

### REMUNERATION REPORT

This remuneration report sets out the remuneration information for Bathurst Resources Limited's Non-Executive Directors, Executive Directors, and other key management personnel, which includes the five highest remunerated Executives of the group and company.

#### Directors and Executives disclosed in this report

NAME	POSITION
<i>Key management personnel</i>	
T Manners	Chief Financial Officer/Company Secretary
M Rogers	General Manager – Buller operations
A Thom	General Manager – Corporate development
C Pilcher	General Manager – Eastern operations
M Brunsdon	General Manager – Marketing

Non-Executive and Executive Directors – refer to pages 19 to 21 above

#### Role of the Remuneration & Nomination Committee

The Remuneration & Nomination Committee is a committee of the Board. With regards to remuneration matters, it is primarily responsible for making recommendations to the Board on:

- Non-Executive Director fees
- executive remuneration (directors and other executives), and
- the over-arching executive remuneration framework and incentive plan policies.

The objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the company. In doing this, the Remuneration & Nomination Committee seeks advice from independent remuneration consultants.

The Corporate Governance Statement provides further information on the role of this committee.

## DIRECTORS' REPORT

### Principles used to determine the nature and amount of remuneration

#### Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board. The Board has also considered the advice of independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The Chair's fees are determined independently to the fees of Non-Executive Directors. The Chair is not present at any discussions relating to determination of his own remuneration.

During 2011 Non-Executive Directors were granted unlisted options in the company as part of their remuneration, which encouraged the alignment of personal and shareholder interests. In April 2011 continued growth in the company and as a result of its inclusion in the relevant ASX indices the practice of issuing options to Non-Executive Directors as a form of remuneration ceased.

#### Directors' fees

The current base fees were last reviewed with effect from 1 January 2011 and are inclusive of committee fees.

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$800,000 per annum and was approved by shareholders at the General Meeting on 18 April 2011.

The following fees have applied:

	FROM 1 JANUARY 2011	1 JULY 2010 TO 31 DECEMBER 2010
Chair	\$160,000	\$60,000
Other Non-Executive Directors	\$80,000	\$36,000

Superannuation contributions required under the Australian superannuation guarantee legislation are made to Directors and are deducted from their overall fee entitlements.

#### Executive pay

The objective of the group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage/alignment of executive compensation
- transparency
- capital management.

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

#### Alignment to shareholders' interests:

- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives.

#### Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution.

# DIRECTORS' REPORT

## REMUNERATION REPORT (CONTINUED)

### Principles used to determine the nature and amount of remuneration (continued)

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

The executive pay and reward framework has three components:

- base pay and benefits, including superannuation
- short-term performance incentives, and
- long-term incentives through participation in the Bathurst Resources Limited Employee Share Option Plan.

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

#### *Base pay and benefits*

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

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

#### *Superannuation*

Superannuation contributions required under the Australian superannuation guarantee legislation are made to executives and are in addition to the base pay and benefits.

#### *Short-term incentives*

Short-term incentives, such as cash bonuses, are made at the discretion of the Remuneration & Nomination Committee. There were no set performance targets or metrics used to determine short term incentive payments during 2011. However, for the 2012 financial year onwards the Remuneration & Nomination Committee has established a matrix of performance criteria that will be used to assess and award short term incentive payments to senior staff.

#### *Long-term incentives*

Long-term incentives are provided to certain employees via the Bathurst Resources Limited Employee Share Option Plan which was approved by shareholders at the 2010 Annual General Meeting.

The Bathurst Resources Limited Employee Share Option Plan is designed to provide incentives for executives to deliver long-term shareholder returns. Under the plan, participants are granted options, of which a portion will only vest if certain performance standards are met and the employees are still employed by the group at the end of the vesting period. Participation in the plan is at the Board's discretion.

Approximately 26% of all options issued under the Bathurst Employee Share option Plan only vest upon the first 25,000 tonnes of coal being shipped from the Buller Coal Project. The expected vesting date of the options is December 2011 which will give the options an exercisable period of 2 years.



## DIRECTORS' REPORT

### Details of remuneration

#### Amounts of remuneration

Details of the remuneration of the Directors and the key management personnel of the group (as defined in AASB 124 Related Party Disclosures) are set out in the following tables.

2011	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS	SHARE BASED PAYMENTS	TOTAL
	CASH SALARY AND FEES	CASH BONUS	NON-MONETARY BENEFITS	SUPER-ANNUATION	OPTIONS	
NAME	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors</b>						
Craig Munro - Chair	110,000	-	-	-	785,566	895,566
Rob Lord	50,149	-	-	4,513	996,166	1,050,828
Malcolm Macpherson	37,568	-	-	3,381	1,122,000	1,162,949
<b>Executive Directors</b>						
Hamish Bohannan	628,678	-	21,809	-	1,681,833	2,332,320
Gerald Cooper	317,979	100,000	-	39,321	1,179,416	1,636,716
<b>Other key management personnel</b>						
Timothy Manners	347,750	-	-	25,575	1,054,752	1,428,077
Graham Anderson	29,750	-	-	-	344,700	374,450
Max Brunsdon	395,455	-	-	-	939,852	1,335,307
Alan Thom	61,647	-	-	5,548	970,000	1,037,195
Marianne Rogers	192,116	-	-	17,291	923,252	1,132,659
Craig Pilcher	53,739	-	-	947	-	54,686
<b>Total key management personnel compensation</b>	<b>2,224,831</b>	<b>100,000</b>	<b>21,809</b>	<b>96,576</b>	<b>9,997,537</b>	<b>12,440,753</b>

#### Notes:

Directors and key management personnel had the following appointment dates:

Timothy Manners	23 August 2010
Alan Thom	17 March 2011
Marianne Rogers	18 October 2010
Craig Pilcher	18 March 2011
Rob Lord	17 August 2010
Malcolm Macpherson	5 January 2011

Graham Anderson resigned as Company Secretary on 3 February 2011.

All other Directors and key management personnel were in office for the full financial year.

# DIRECTORS' REPORT

## REMUNERATION REPORT (CONTINUED)

### Details of remuneration (continued)

Amounts of remuneration (continued)

2010 NAME	SHORT – TERM EMPLOYEE BENEFITS			POST- EMPLOYMENT BENEFITS	SHARE BASED PAYMENTS	TOTAL
	CASH SALARY AND FEES	CASH BONUS	NON- MONETARY BENEFITS	SUPER- ANNUATION	OPTIONS	
	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors</b>						
Craig Munro - <i>Chair</i>	17,500	-	-	-	-	17,500
Charles Griffith	-	-	-	-	27,500	27,500
Richard Monti	5,000	-	-	450	-	5,450
<b>Executive Directors</b>						
Hamish Bohannon	270,000	-	-	-	-	270,000
Gerald Cooper	61,667	-	-	-	-	61,667
Billy Shelton	7,500	-	-	-	-	7,500
<b>Other key management personnel</b>						
Graham Anderson	46,750	-	-	-	46,750	93,500
Steve O'Dea	88,541	-	-	7,969	-	96,510
<b>Total key management personnel compensation</b>	<b>496,958</b>	<b>-</b>	<b>-</b>	<b>8,419</b>	<b>74,250</b>	<b>579,627</b>

The relative proportions of remuneration that are linked to performance and those that are fixed for the year ended 30 June 2011 are as follows:

	FIXED REMUNERATION	AT RISK – STI	AT RISK – LTI*
<b>Executive Directors of Bathurst Resources Limited</b>			
Hamish Bohannon	28%	-	72%
Gerald Cooper	22%	6%	72%
<b>Other key management personnel of the group</b>			
Timothy Manners	26%	-	74%
Graham Anderson	8%	-	92%
Max Brunsdon	30%	-	70%
Alan Thom	6%	-	94%
Marianne Rogers	18%	-	82%
Craig Pilcher	100%	-	-

\* Since long term incentives are provided exclusively by way of options, the percentages disclosed reflect the value of remuneration consisting of options, based on the value of options expensed during the year.

## DIRECTORS' REPORT

### Service Agreements

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

Remuneration and other terms of employment for the Managing Director, Chief Financial Officer and the other key management personnel are also formalised in service agreements.

All contracts with executives may be terminated early by either party with one to three months' notice, subject to termination payments as detailed below.

NAME	TERM OF AGREEMENT	BASE SALARY INCLUDING SUPERANNUATION	TERMINATION BENEFIT
Hamish Bohannan	Ongoing	545,000	3 months base salary
Gerald Cooper	Ongoing	381,500	2 months base salary
Timothy Manners	Ongoing	381,500	2 months base salary
Max Brunsdon	12 months	545,455	3 months base salary
Alan Thom	Ongoing	250,700	1 months base salary
Marianne Rogers	Ongoing	327,000	2 months base salary
Craig Pilcher	Ongoing	194,067	1 months base salary

### Share based compensation

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

GRANT DATE	VESTING DATE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	% VESTED
18 Aug 2010	Immediate	30 Sept 2013	\$0.15 <sup>(1)</sup>	\$0.111	100%
20 Aug 2010	Immediate	30 Sept 2013	\$0.15 <sup>(1)</sup>	\$0.115	100%
20 Aug 2010	Immediate	30 Sept 2013	\$0.21 <sup>(2)</sup>	\$0.098	100%
29 Nov 2010	Immediate	30 Sept 2013	\$0.21	\$0.432	100%
29 Nov 2010	Immediate	31 Dec 2013	\$0.40	\$0.290	100%
6 Dec 2010	Immediate	31 Dec 2013	\$0.40	\$0.265	100%
29 Nov 2010	Upon first 25kt from Buller Coal Project	31 Dec 2013	\$0.40	\$0.276	0%
6 Dec 2010	Upon first 25kt from Buller Coal Project	31 Dec 2013	\$0.40	\$0.252	0%
18 Apr 2011	Immediate	31 Dec 2013	\$1.13	\$0.485	100%
18 Apr 2011	Immediate	31 Dec 2013	\$0.85	\$0.561	100%

Notes:

(1) As a result of the rights issue in November 2010 the exercise price of these options was adjusted to 10.8 cents

(2) As a result of the rights issue in November 2010 the exercise price of these options was adjusted to 16.8 cents

Details of options over ordinary shares in the company provided as remuneration to each Director of Bathurst Resources Limited and each of the key management personnel are set out below. When exercised, each option will be converted in one ordinary share of Bathurst Resources Limited.

The plan rules contain a restriction on removing the 'at risk' aspect of the instruments granted to executives. Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it vests.

Further information on the options is set out in note 36 to the financial statements.

# DIRECTORS' REPORT

## REMUNERATION REPORT (CONTINUED)

### Share based compensation (continued)

	NUMBER OF OPTIONS GRANTED DURING THE YEAR	VALUE OF OPTIONS AT GRANT DATE	NUMBER OF OPTIONS VESTED DURING THE YEAR
<b>Executive Directors of Bathurst Resources Limited</b>			
Hamish Bohannon	10,000,000	1,969,209	9,900,000
Gerald Cooper	6,500,000	1,409,318	6,000,000
<b>Other key management personnel of the group</b>			
Timothy Manners	6,000,000	1,264,860	4,000,000
Max Brunndon	5,000,000	1,149,960	3,000,000
Alan Thom	2,000,000	970,000	2,000,000
Marianne Rogers	5,000,000	1,133,360	3,000,000
Craig Pilcher	-	-	-

**Notes:**

No options issued as remuneration lapsed during the year.

The value at grant date is calculated in accordance with AASB 2 Share-based Payments.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above.

Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

### Shares provided on exercise of remuneration options

Details of ordinary shares in the company provided as a result of the exercise of remuneration options to each Director of Bathurst Resources Limited and other key management personnel of the group are set out below.

	DATE OF EXERCISE OF OPTIONS	NUMBER OF ORDINARY SHARES ISSUED ON EXERCISE OF OPTIONS DURING THE YEAR	VALUE AT EXERCISE DATE
<b>Executive Directors of Bathurst Resources Limited</b>			
None			
<b>Other key management personnel of the group</b>			
Timothy Manners	28 March 2011	300,000	246,000

**Notes:**

The value at the exercise date of options that were granted as part of the remuneration and were exercised during the year has been determined as the intrinsic value of the options at that date.

The amount paid per ordinary share by each key management personnel on the exercise of options at the date of exercise was as follows:

EXERCISE DATE	AMOUNT PAID PER SHARE
28 March 2011	\$0.40

No amounts are unpaid on any shares issued on the exercise of options.



## DIRECTORS' REPORT

### Details of remuneration: Bonuses and share-based compensation benefits

For each cash bonus and grant of options included in the tables on pages 25 - 28, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future years. The options issued during the year which have not vested immediately, vest upon the shipment of the first 25,000 tonnes from the Buller Coal Project. None of these options will vest if the conditions are not satisfied, hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

NAME	SHARE-BASED COMPENSATION BENEFITS (OPTIONS)					
	BONUS PAID	YEAR GRANTED	VESTED	FORFEITED	FINANCIAL YEAR IN WHICH OPTIONS ARE EXPECTED TO VEST	MAXIMUM TOTAL VALUE OF GRANT YET TO VEST
	%		%	%		%
<b>Non-Executive Directors</b>						
Craig Munro - <i>Chair</i>	-	2011	72	-	30 June 2012	143,688
Rob Lord	-	2011	64	-	30 June 2012	143,688
Malcolm Macpherson	-	2011	100	-	-	-
<b>Executive Directors</b>						
Hamish Bohannan	-	2011	75	-	30 June 2012	287,377
Gerald Cooper	100	2011	69	-	30 June 2012	229,902
<b>Other key management personnel</b>						
Timothy Manners	-	2011	67	-	30 June 2012	210,108
Graham Anderson	-	2011	100	-	-	-
Max Brunsdon	-	2011	60	-	30 June 2012	210,108
Alan Thom	-	2011	100	-	-	-
Marianne Rogers	-	2011	60	-	30 June 2012	210,108

### LOANS TO DIRECTORS AND EXECUTIVES

Information on loans to Directors and executives, including amounts, interest rates and repayment terms are set out in note 26 to the financial statements.

# DIRECTORS' REPORT

## SHARES UNDER OPTION

Unissued ordinary shares of Bathurst Resources Limited under options at the date of this report are as follows:

DATE GRANTED	EXPIRY DATE	ISSUE PRICE OF SHARES	NUMBER UNDER OPTION
22 Oct 2008	31 Oct 2011	\$0.378	500,000
22 Oct 2008	31 Oct 2012	\$0.378	500,000
22 Oct 2008	31 Oct 2013	\$0.378	500,000
16 Jun 2010	16 Jun 2013	\$0.155	1,666,667
18 Aug 2010	30 Sept 2013	\$0.108	8,700,000
20 Aug 2010	30 Sept 2013	\$0.168	1,000,000
20 Aug 2010	30 Sept 2013	\$0.108	11,000,000
5 Nov 2010	15 Nov 2013	\$0.36	14,644,109
29 Nov 2010	30 Sept 2013	\$0.21	1,000,000
29 Nov 2010	31 Dec 2013	\$0.40	14,000,000
6 Dec 2010	31 Dec 2013	\$0.40	14,700,000
18 April 2011	31 Dec 2013	\$1.13	2,000,000
18 April 2011	31 Dec 2013	\$0.85	2,000,000
			<b>72,210,776</b>

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

## SHARES ISSUED ON THE EXERCISE OF OPTIONS

During the year ended 30 June 2011 a total of 20,980,973 shares of Bathurst Resources Limited were issued on the exercise of options raising a total of \$4,630,470. Subsequent to 30 June 2011 and up to the date of this report, a further 5,340,000 shares of Bathurst Resources Limited were issued on the exercise of options raising a total of \$1,244,000.

## INSURANCE OF OFFICERS

During the financial year, Bathurst Resources Limited paid a premium of \$39,544 to insure the Directors and secretaries of the company and its Australian-based controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

## NON-AUDIT SERVICES

The company engaged the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

Details of the amounts paid or payable to the auditor (PwC) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

## DIRECTORS' REPORT

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity and its related practices:

	CONSOLIDATED	
	2011 \$	2010 \$
<b>Other assurance services</b>		
PwC Australian firm:		
Due diligence services	52,648	-
PwC New Zealand firm:		
Due diligence services	29,621	-
<b>Total remuneration for other assurance services</b>	<b>82,269</b>	<b>-</b>
<b>Taxation services</b>		
PwC Australian firm:		
Tax compliance services	23,700	-
Consulting advice on mergers and structuring	9,000	-
PwC New Zealand firm:		
Tax compliance services	28,418	-
Consulting advice on mergers and structuring	49,091	-
<b>Total remuneration for taxation services</b>	<b>110,209</b>	<b>-</b>
<b>Other services</b>		
PwC Australian firm:		
ESOP structuring advice	10,000	-
<b>Total remuneration for other services</b>	<b>10,000</b>	<b>-</b>
<b>Total remuneration for non-audit services</b>	<b>202,478</b>	<b>-</b>

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 32.

### ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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



**Craig Munro**  
Chair

15 September 2011

## AUDITOR'S INDEPENDENCE DECLARATION



**pwc**

### Auditor's Independence Declaration

As lead auditor for the audit of Bathurst Resources Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Bathurst Resources Limited and the entities it controlled during the period.

Nick Henry  
Partner  
PricewaterhouseCoopers

Perth  
15 September 2011

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# CORPORATE GOVERNANCE STATEMENT

This statement reports on Bathurst's key governance framework, principles and practices as at the date of this report. The Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The company and its controlled entities together are referred to as the group in this statement.

## ASX PRINCIPLES OF GOOD CORPORATE GOVERNANCE

ASX Listing Rule 4.10.3 requires that ASX listed companies report on the extent to which they have followed the Principles of Good Corporate Governance and Best Practice Recommendations (including 2010 amendments) ("ASX Principles") released by the ASX Corporate Governance Council. The ASX Principles require the Board to consider carefully the development and adoption of appropriate corporate governance policies and practices founded on the ASX Principles.

A description of the group's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

## COMPLIANCE WITH ASX PRINCIPLES

Details of the company's compliance with the ASX Principles are set out below. A checklist cross referencing the ASX Principles to the relevant section of this statement and to other sections of the Directors' Report is provided on pages 41 and 42 of this report.

As detailed in this Corporate Governance Statement, Bathurst considers that its governance practices comply with the ASX Principles, subject to the qualifications noted in the Compliance Statement.

### 1. Board of Directors

#### (a) Board composition and expertise

The Board has an extensive range of relevant industry experience, financial and other skills and expertise to meet its objectives. The current Board composition comprises three independent, Non-Executive Directors (including the Chair) and two Executive Directors.

Details on each Director's background including experience, knowledge and skills and their status as an independent director are set out in the Directors' Report.

The Board considers that the Non-Executive Directors collectively bring the range of skills, knowledge and experience necessary to direct the company.

The Bathurst Board Charter states:

- the Board is to be comprised of both executive and Non-executive directors with a majority of non-executive directors. Non-executive directors bring a fresh perspective to the Board's consideration of strategic, risk and performance matters;
- in recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chair must be an independent Non-executive director;
- the majority of the Board must be independent of management and all directors are required to exercise independent judgement and review and constructively challenge the performance of management;
- the Chair is elected by the full Board and is required to meet regularly with the Managing Director; and
- the Chair of the Board is responsible for determining the process for evaluating board performance. Such evaluations are to be conducted at least annually and will focus on the effectiveness of the board function and whether there continues to exist an appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the group.

The Board seeks to ensure that:

- at any point in time its membership represents an appropriate balance between directors with experience and knowledge of the group and directors with an external or fresh perspective; and
- the size of the Board is conducive to effective discussion and efficient decision-making.

# CORPORATE GOVERNANCE STATEMENT

## COMPLIANCE WITH ASX PRINCIPLES (CONTINUED)

### 1. Board of Directors (continued)

#### (b) Board role and responsibilities

The relationship between the Board and senior management is critical to the group's long-term success. The Directors are responsible to the shareholders for the performance of the group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the group as a whole.

The Board's focus is to enhance the interests of shareholders and other key stakeholders and to ensure the group is properly managed.

The roles and responsibilities of the Board are formalised in the Board Charter, which defines in detail the matters that are reserved for the Board and its committees, and those that the Board has delegated to management.

The central role of the Board is to oversee and approve the company's strategic direction, to select and appoint a CEO, to oversee the company's management and business activities and report to shareholders.

In addition to matters required by law to be approved by the Board, the following powers are reserved to the Board for decision:

- Strategy – providing strategic oversight and approving strategic plans and initiatives;
- Board performance and composition – evaluating the performance of Non-Executive Directors, and determining the size and composition of the Board as well as recommending to shareholders the appointment and removal of Directors;
- Leadership selection – evaluating the performance of, and selection of, the CEO and those key executives reporting directly to the CEO. Review on a regular basis appropriate succession planning for the CEO.
- Corporate responsibility – considering the social, safety, ethical and environmental impacts of the group's activities, and setting policy and monitoring compliance with safety, corporate and social policies and practices;
- Financial performance – approving Bathurst's annual operating plans and budget, monitoring management, financial and operational performance.
- Continuous Disclosure - ensuring processes are established to capture issues for the purposes of continuous disclosure to both the ASX and the NZX;
- Financial reports to shareholders – approving annual and half year reports and disclosures to the market that contain, or relate to, financial projections, statements as to future financial performance or changes to the policy or strategy of the company; and
- Establishing procedures – ensuring that the Board is in a position to exercise its power and to discharge its responsibilities as set out in the Board Charter.

The Board also recognises its responsibilities to the group's employees, the communities and environments within which Bathurst operates and, where relevant, other stakeholders.

Responsibility for management of the group's business activities is delegated to the CEO and senior executives in accordance with the company's delegation policy, which is reviewed annually.

The Board Charter is available in the corporate governance section of Bathurst's website.

#### (c) Chair and Chief Executive Officer

The Chair is responsible for leadership of the Board, for the efficient organisation and conduct of the Board's function and for the promotion of relations between Board members and between Board and management that are open, cordial and conducive to productive cooperation.

The CEO is responsible for implementing group strategies and policies. The Board Charter specifies that these are separate roles to be undertaken by separate people.

## CORPORATE GOVERNANCE STATEMENT

### (d) Director independence

The Board has approved a policy on independence of directors, a copy of which is available in the corporate governance section of Bathurst's website. This policy states that when determining independence, a director must be a non-executive and:

- is not a substantial shareholder (i.e. 5% of the voting stock) of the company or an officer of the company or otherwise associated directly with a substantial shareholder of the company;
- within the last three years has not been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the company or group who accounts for more than 5% of the company's consolidated gross revenue;
- is not a supplier to the company or group member that accounts for more than 5% of the supplier's gross revenue;
- has no material contractual relationship with the company or another group member other than as a director of the company;
- has not served on the Board for a period greater than 10 years, or any other period which could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interest of the company.

On appointment, each director is required to provide information to the Chair to assess and confirm their independence as part of their consent to act as a director. At the date of this report the Chair considers that the three Non-Executive Directors on the Board are independent.

### (e) Term of office

Bathurst's Constitution states that at each Annual General Meeting ("AGM") one third of its directors (excluding the Managing Director) and any director who has held office for three or more years since their last election, must retire. Directors who retire under this rotation mechanism are eligible to offer themselves for re-election by shareholders at the AGM subject only to the point below.

A director should, subject to circumstances prevailing at the time and the company's ability to find a suitable replacement, aim to retire from the Board at the conclusion of the AGM occurring after the tenth (10th) anniversary of the director's first appointment or election to the Board.

### (f) Board performance evaluation and succession planning

The Board, in conjunction with the Remuneration & Nomination Committee, reviews the size and composition of the Board and the mix of existing and desired competencies across members from time to time. Criteria considered by the directors when evaluating prospective candidates are contained in the Board's Charter.

The Chair of the Board is responsible for ensuring a regular review of the performance of the Board, committees and individual directors occurs at least annually. The Chair is responsible for determining the process under which this evaluation takes place.

Given the relatively recent growth in the size and composition of the company's Board, a performance assessment review has not yet occurred. The first such review is expected to occur during the 2012 financial year.

The Board reviews annually the size and composition of the Board and the mix of existing and desired competencies across members. The Board may engage an independent recruitment firm to undertake a search for suitable candidates if and when an additional member is considered appropriate.

### (g) Nominations and appointment of new directors

Recommendations for nomination of new directors are considered by the Remuneration & Nomination Committee and approved by the Board as a whole. The Remuneration & Nomination Committee review director appointments having regard to the candidate's commercial experience, skills and other qualities. External consultants may be used from time to time to access a wide base of potential directors.

# CORPORATE GOVERNANCE STATEMENT

## COMPLIANCE WITH ASX PRINCIPLES (CONTINUED)

### 1. Board of Directors (continued)

#### (h) Professional advice

Directors may, in carrying out their company related duties, seek external professional advice. If external professional advice is sought a director is entitled to reimbursement of all reasonable costs where such a request for advice is approved by the Chair. In the case of a request by the Chair, approval is required by a least two other directors.

#### (i) Conflicts of interest

The Board has approved directors' Conflict of Interest Guidelines (contained in the Board Code of Conduct) which applies if there is, or may be, a conflict between the personal or other interests of a director.

A director with an actual or potential conflict of interest in relation to a matter before the Board does not receive the board papers relating to that matter and when the matter comes before the Board for discussion, the director withdraws from the meeting for the period the matter is considered and takes no part in the discussion or decision-making process.

#### (j) Board meetings

The Chair sets the agenda for each meeting in conjunction with the Chief Executive Officer and the Company Secretary. Any director may request additional matters be added to the agenda.

Board and committee papers are provided to directors, where possible, five (5) business days prior to the relevant meeting. Copies of board papers are circulated in either electronic or hard copy form.

Directors are entitled to request additional information where they consider the information is necessary to support informed decision-making.

The Non-Executive Directors meet, as required, at the conclusion of Board meetings for private discussions without executive directors, the Managing Director and management being present.

Details of the number of meetings of the Board of Directors of Bathurst, and each Board committee, held and attended by each director during the 12 months ended 30 June 2011 are shown on page 22 of the Directors' Report.

### 2. Board committees

#### (a) Board committees and membership

The Board has established two committees to assist in the discharge of its responsibilities. These are:

- Remuneration & Nomination Committee; and
- Audit Committee

The charters of all Board committees detailing the roles and duties of each are available in the corporate governance section of Bathurst's website. All Board committee charters are reviewed at least annually.

At the date of this report the membership of each Board committee is shown in the relevant section below. The Executive Directors can attend the Audit Committee meetings by invitation. All papers considered by the committees are available on request to directors who are not on that committee.

Following each committee meeting, generally at the next Board meeting, the Board is given a verbal update by the Chair of each committee. In addition, minutes of all committee meetings are available to all directors.

#### (b) Remuneration & Nomination Committee

The Remuneration & Nomination Committee consists of the following Non-Executive Directors:

M Macpherson (Chair)  
R Lord  
C Munro

Details of these Directors' qualifications and attendance at Remuneration & Nomination Committee meetings are set out in the Directors' Report on pages 19 to 21.



## CORPORATE GOVERNANCE STATEMENT

The role of the Remuneration & Nomination Committee is to assist the Board in establishing policies and practices which:

- enable Bathurst to attract and retain capable directors and senior employees who achieve operational excellence and create value for shareholders;
- reward employees fairly and responsibly, having regard to the results of the Bathurst group, individual performance and general remuneration conditions; and
- assist the Board to meet its oversight responsibilities in relation to Corporate Governance practices.

More specifically, the committee will:

- review and make recommendation to the Board on the company's remuneration policies, including long and short-term incentives and equity awards;
- oversee the formulation and review of the company's organisational development, and succession planning for the Chair, CEO and senior executives;
- review the Board's size and composition, its committees and committee charters;
- evaluate Board candidates and recommend to the Board individuals for board appointment/shareholder election;
- consider whether, and if so when, shareholder approval of aspects of the remuneration policy is required; and
- ensure that the company meets its disclosure obligations in respect of remuneration matters and Corporate Governance as required under the ASX Listing Rules and the Corporations Act.

### (c) Audit Committee

Members of the Audit Committee are listed below and shall comprise of three (3) non-executive directors of the company, with a majority of members to be independent non-executive directors. The Chair and members of the committee are appointed by the Board and may be appointed for specified terms. Membership of the committee will be reviewed annually by the Board.

The Chair of the Board may not be the Chair of the committee.

The Audit Committee consists of the following Non-Executive Directors:

R Lord (Chair)  
M Macpherson  
C Munro

Details of these Directors' qualifications and attendance at Audit Committee meetings are set out in the Directors' Report on pages 19 to 21.

The external auditors, the Chief Financial Officer ("CFO") and the financial controller attend committee meetings by invitation.

The role of the Audit Committee is to assist the Board to meet its oversight responsibilities in relation to the company's financial reporting, internal control structure, corporate governance policies and practices, financial risk management procedures and the external audit function. In doing so, it is the committee's responsibility to maintain free and open communication between the committee and the external auditors and the management of Bathurst.

The Audit Committee operates in accordance with a charter which is available on the company's website. The main responsibilities of the committee are to:

- review, assess and approve the annual full and concise reports, the half-year financial report and all other financial information published by the company or released to the market;
- assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations
  - reliability of financial reporting
  - compliance with applicable laws and regulations
- oversee the effective operation of the risk management framework;
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance;
- consider the independence and competence of the external auditor on an ongoing basis;
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence; and
- report to the Board on matters relevant to the committee's role and responsibilities

# CORPORATE GOVERNANCE STATEMENT

## COMPLIANCE WITH ASX PRINCIPLES (CONTINUED)

### 2. Board committees (continued)

#### (c) Audit Committee (continued)

In fulfilling its responsibilities, the Audit Committee:

- receives regular reports from management and from the external auditors;
- meets with the external auditors at least four times a year, or more frequently if necessary;
- reviews the processes the CEO and CFO have in place to support their certifications to the Board;
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved; and
- provides the external auditors with a clear line of direct communication at any time to either the Chair of the Audit Committee or the Chair of the Board.

The committee may consult independent experts and institute special investigations if it considers it necessary in order to fulfil its responsibilities. Furthermore, the committee shall have the authority to seek any information it requires from any officer or employee of the company or its controlled entities and such officers or employees shall be instructed by the Board of the company employing them to respond to such enquiries.

#### (d) Audit governance and independence

The Board is committed to the basic principles that:

- Bathurst's financial reports represent a true and fair view;
- Bathurst's accounting practices are comprehensive, relevant and comply with applicable accounting standards and policies; and
- The external auditor is independent and serves shareholders' interests.

#### (e) External auditors

The company and Audit Committee policy is to appoint external auditors who demonstrate experience and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

PwC was appointed as the external auditor in 2010. It is PwC's policy to rotate audit engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Directors' Report and in note 27 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The external auditor will attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

### 3. Recognise and managing risk

#### (a) Approach to risk management

The Board, through the Audit Committee and senior management, are responsible for overseeing and implementing the company's Risk Management Policy.

The company is committed to effective risk management to achieve its business objectives. The company aims to continually improve the management of risk, to make better decisions to achieve its objectives and to reduce the likelihood and consequences of adverse effects to tolerable levels.

At all levels of the business senior management is responsible for the development, implementation and maintenance of risk management systems that will effectively allow the group to:

- identify, assess and manage risks in an effective and efficient manner;
- use risk management to help make better decisions;
- reduce the risk of not meeting business objectives;
- meet relevant corporate governance requirements; and
- identify and evaluate opportunities based on their risk/reward balance.

## CORPORATE GOVERNANCE STATEMENT

The goals of risk management are achieved by:

- implementing a comprehensive and systematic risk assessment and reporting system across the organisation;
- training employees in use of the system, and in suitable risk assessment methodologies for their business and work applications;
- developing a risk profile for each business unit, and then providing risk funding to reduce risk and maintain a suitable risk/reward balance;
- embedding risk management into the way we work; and
- auditing the system.

### (b) CEO and CFO assurance

The Board receives monthly reports about the financial condition and operational results of Bathurst and its controlled entities. The CEO and CFO provide, at the end of each six monthly period, a formal statement (in accordance with section 295A of the *Corporations Act 2001*) to the Board confirming that the company's financial reports present a true and fair view, in all material respects, and that the group's financial condition and operational results have been prepared in accordance with the relevant accounting standards.

The statement also confirms the integrity of the company's financial statements and notes to the financial statements, is founded on a sound system of risk management and internal compliance and control which implements the policies approved by the Board, and that Bathurst's risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects.

This statement was last received by the Board in September 2011.

A copy of the company's Risk Management Policy is available on Bathurst's website.

## 4. Promoting ethical and responsible decision making

### (a) Codes of Conduct

The Board has approved a Code of Conduct for directors and for employees, which describes the standards of ethical behaviour that directors and employees are required to maintain. The company promotes the open communication of unethical behaviour within the organisation.

Compliance with the Code of Conduct assists Bathurst in effectively managing its operating risks and meeting its legal and compliance obligations, as well as enhancing the company's corporate reputation.

The Code of Conduct describes the company's requirements on matters such as confidentiality, conflicts of interest, use of company information, sound employment practices, compliance with laws and regulations and the protection and safeguarding of company assets.

A copy of the company's Code of Conduct is available on Bathurst's website.

### (b) Share Trading Policy

The company's Share Trading Policy is binding on all directors and employees. The policy provides a brief summary of the law on insider trading and other relevant laws, sets out the restrictions on dealing in securities by people who work for, or are associated with, Bathurst and is intended to assist in maintaining market confidence in the integrity of dealings in the company's securities.

The policy stipulates that the only appropriate time for a director or employee to deal in the company's securities is when he or she is not in possession of 'price sensitive information' that is not generally available to the share market. A director wishing to deal in the company's securities may only do so after first having advised the Chair of his or her intention. A senior executive wishing to deal must first notify the Company Secretary. Confirmation of any dealing must also be given by the director or senior executive within two business days after the dealing.

Directors' and senior executives' dealings in the company's securities are also subject to specified Closed Periods which are set out in the company's Share Trading Policy or as otherwise determined by the Board from time to time.

A copy of the company's Share Trading Policy is available on the corporate governance section of Bathurst's website.

# CORPORATE GOVERNANCE STATEMENT

## COMPLIANCE WITH ASX PRINCIPLES (CONTINUED)

### 4. Promoting ethical and responsible decision making (continued)

#### (c) Diversity Policy

The company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly the company has developed a Diversity Policy. This policy outlines the company's diversity objectives in relation to gender, age, cultural background and ethnicity.

The policy includes requirements for the Board to establish measurable objectives for achieving diversity, which are expected to be completed in the 2012 financial year. The policy provides for the Board to assess annually both the objectives, and the company's progress in achieving them. The proportion of women employees in the whole organisation is currently 24% with 25% at senior management and nil % at board level.

### 5. Remuneration framework

Details of Bathurst's remuneration framework are included in the Remuneration Report.

### 6. Continuous disclosure and shareholder communication

Bathurst is committed to maintaining a level of disclosure that meets the highest standards and provides all investors, and potential investors, with equal access to information.

Bathurst is committed to the continuous disclosure requirements of the ASX and the NZX. The Board is responsible for ensuring that adequate procedures are in place to ensure the continuous disclosure of any information concerning the group that a reasonable person would expect to have a material effect on the price of the company's securities.

Existing policies and procedures also include the arrangements the company has in place to promote communication with shareholders and encourage effective participation at general meetings.

The CEO and the Company Secretary are responsible for communications with the ASX and the NZX. This includes responsibility for ensuring compliance with the continuous disclosure requirements in the relevant Listing Rules and overseeing and co-ordinating information disclosure to the ASX, NZX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX and the NZX is posted on the company's website as soon as it is disclosed to the respective exchange. When analysts are briefed on aspects of the group's operations, the material used in the presentation is released to the ASX and NZX and posted on the company's web site.

Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

The website also enables users to provide feedback and has an option for shareholders to register their email address for direct email updates on company matters.

All shareholders receive a copy of the company's annual and half-yearly reports. In addition, the company seeks to provide opportunities for shareholders to participate through electronic means. Recent initiatives to facilitate this include making all company announcements, media briefings, details of company meetings, press releases and financial reports for the last three years available on the company's website.

Where appropriate, the company will arrange for advance notification of significant group briefings and ensure they are widely accessible, including through the use of webcasting and other mass communication mechanisms as may be practical.



## ASX PRINCIPLES COMPLIANCE STATEMENT

ASX CORPORATE GOVERNANCE COUNCIL'S BEST PRACTICE RECOMMENDATIONS		REFERENCE <sup>(1)</sup>	COMPLIANCE
<b>Principle 1: Lay solid foundations for management and oversight</b>			
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	1(b), 1(c)	Comply
1.2	Companies should disclose the process for evaluating the performance of senior executives.	1(b), 2(b) Remuneration report	Comply
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	1(b), 2(b)	Comply
<b>Principle 2: Structure the board to add value</b>			
2.1	A majority of the board should be independent directors.	1(a)	Comply
2.2	The Chair should be an independent director.	1(a)	Comply
2.3	The roles of Chair and chief executive officer should not be exercised by the same individual.	1(c)	Comply
2.4	The board should establish a nomination committee.	2(b)	Comply
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	1(b), 1(f), 1(g), 2(b)	Comply
2.6	Companies should provide the information indicated in the Guide to reporting Principle 2.	1(a), 1(d), 1(f), 1(h), 2(b) & Directors' report	Comply
<b>Principle 3: Promote ethical and responsible decision-making</b>			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>The practices necessary to maintain confidence in the company's integrity;</li> <li>The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and</li> <li>Responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	4 (a)	Comply
3.2	Companies should establish a policy concerning diversity and disclose the policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and the progress in achieving them.	4(c)	Comply <sup>(2)</sup>
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	4(c)	Comply
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	4(c)	Comply
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	1(i) 4(a), 4(b), 4(c)	Comply
<b>Principle 4: Safeguard integrity in financial reporting</b>			
4.1	The board should establish an audit committee.	2(c)	Comply
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>consists of only non-executive directors;</li> <li>consists of a majority of independent directors;</li> <li>is Chaired by an independent Chairperson who is not Chairperson of the board; and</li> <li>has at least three members.</li> </ul>	2(c)	Comply

# ASX PRINCIPLES COMPLIANCE STATEMENT

	ASX CORPORATE GOVERNANCE COUNCIL'S BEST PRACTICE RECOMMENDATIONS	REFERENCE <sup>(1)</sup>	COMPLIANCE
<b>Principle 4: Safeguard integrity in financial reporting (continued)</b>			
4.3	The audit committee should have a formal charter.	2(c)	Comply
4.4	Companies should provide the information indicated in the Guide to reporting on principle 4.	2(c), 2(e), Directors' Report	Comply
<b>Principle 5: Make timely and balanced disclosure</b>			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	6	Comply
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	6	Comply
<b>Principle 6: Respect the rights of shareholders</b>			
6.1	Companies should design and disclose a communications policy for promoting effective communication with shareholders and encourage their participation at general meetings and disclose their policy or a summary of that policy.	6	Comply
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	6	Comply
<b>Principle 7: Recognise and manage risk</b>			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	2(b), 3(a)	Comply
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks and report to it on whether those risks are being management effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risk.	3(a)	Comply
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	3(b)	Comply
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	3	Comply
<b>Principle 8: Remunerate fairly and responsibly</b>			
8.1	The board should establish a remuneration committee.	2(b)	Comply
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>consists of a majority of independent directors</li> <li>is Chaired by an independent Chair</li> <li>has at least three members</li> </ul>	2(b)	Comply
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	1(a), 1(b), 2(b) Remuneration report	Comply
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	2(b), Remuneration report	Comply

(1) The default reference refers to the relevant sections of this Corporate Governance Statement. Reference to the directors' Report and the Remuneration Report is shown where applicable.

(2) The measurable objectives under the Diversity Policy will be established during the early part of the 2012 financial year.

# FINANCIAL STATEMENTS

for the year ended 30 June 2011

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These financial statements are the consolidated financial statements of the consolidated entity consisting of Bathurst Resources Limited and its subsidiaries. The financial statements are presented in Australian dollars.

Bathurst Resources Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

Bathurst Resources Limited  
Ground Floor, 1306 Hay Street, West Perth WA 6005

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report on pages 16 to 19.

The financial statements were authorised for issue by the Directors on 15 September 2011. The Directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information is available at our Investors' Information section of our website: [www.bathurstresources.co.nz](http://www.bathurstresources.co.nz)

## CONSOLIDATED INCOME STATEMENT

	NOTES	2011 \$'000	2010 \$'000
<b>Revenue from continuing operations</b>	4	8,758	99
Changes in inventories of finished goods and work in progress		78	-
Mine operations expense		(2,509)	-
Freight expense		(1,622)	-
Employee benefits expense		(2,686)	(469)
Administration expense		(5,215)	(923)
Depreciation and amortisation expense	5	(688)	(2)
Acquisition related costs		(2,318)	(995)
Other expenses		(120)	(400)
Finance costs	5	(3,185)	(11)
Foreign exchange gain/(loss)		8,216	(196)
Share based payments	36	(11,641)	(168)
Impairment losses		-	(1,679)
Revaluation of deferred consideration	19	(2,176)	-
<b>Loss before income tax</b>		(15,108)	(4,744)
Income tax benefit	6	1,633	-
Loss from continuing operations after income tax expense		(13,475)	(4,744)
Loss from discontinued operations	32	-	(3,660)
<b>Loss for the year</b>		<b>(13,475)</b>	<b>(8,404)</b>
	NOTES	2011 Cents	2010 Cents
<b>Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share	35	(2.76)	(3.97)
Diluted earnings per share	35	(2.76)	(3.97)
<b>Earnings per share for loss attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share	35	(2.76)	(7.04)
Diluted earnings per share	35	(2.76)	(7.04)

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTES	2011 \$'000	2010 \$'000
<b>Loss for the year</b>		(13,475)	(8,404)
<b>Other comprehensive expense/(gain)</b>			
Exchange differences on translation of foreign operations	23	141	(869)
<b>Total comprehensive loss for the year</b>		(13,334)	(9,273)
<b>Total comprehensive loss for the year attributable to the owners of Bathurst Resources Limited</b>		<b>(13,334)</b>	<b>(9,273)</b>

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

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## CONSOLIDATED BALANCE SHEET

as at 30 June 2011

	NOTES	2011 \$'000	2010 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	87,418	8,276
Trade and other receivables	8	3,987	397
Inventories	9	1,058	-
Other financial assets	11	-	15
Other assets	10	537	145
<b>Total current assets</b>		<b>93,000</b>	<b>8,833</b>
<b>Non current assets</b>			
Property, plant and equipment	12	10,046	36
Mine licences, properties, exploration and evaluation assets	13	281,641	-
Other financial assets	14	282	-
Other assets	15	3,897	5,761
<b>Total non-current assets</b>		<b>295,866</b>	<b>5,797</b>
<b>Total assets</b>		<b>388,866</b>	<b>14,630</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	17	4,682	458
Borrowings	18	831	-
Deferred consideration	19	41,052	-
Current tax liabilities	6 (e)	942	-
Provisions	20	509	-
<b>Total current liabilities</b>		<b>48,016</b>	<b>458</b>
<b>Non current liabilities</b>			
Borrowings	18	1,988	-
Deferred consideration	19	89,387	-
Deferred tax liabilities	21	75,027	-
Provisions	20	668	-
<b>Total non-current liabilities</b>		<b>167,070</b>	<b>-</b>
<b>Total liabilities</b>		<b>215,086</b>	<b>458</b>
<b>Net assets</b>		<b>173,780</b>	<b>14,172</b>
<b>EQUITY</b>			
Contributed equity	22	192,190	32,958
Reserves	23	15,030	1,179
Accumulated losses		(33,440)	(19,965)
<b>Total equity</b>		<b>173,780</b>	<b>14,172</b>

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED	NOTES	CONTRIBUTED EQUITY \$'000	OPTION RESERVE \$'000	FOREIGN EXCHANGE TRANSLATION RESERVE \$'000	ACCUMULATED LOSSES \$'000	TOTAL EQUITY \$'000
<b>Balance at 1 July 2009</b>		17,543	881	900	(11,561)	7,763
Loss for the year		-	-	-	(8,404)	(8,404)
Other comprehensive income		-	-	(869)	-	(869)
<b>Total comprehensive income for the year</b>		-	-	(869)	(8,404)	(9,273)
<b>Transactions with owners in their capacity as owners:</b>						
Contributions of equity, net of transaction costs	22	19,709	-	-	-	19,709
Cancellation of shares from disposal of C&R	32	(4,395)	-	-	-	(4,395)
Share-based payments	36	101	267	-	-	368
		15,415	267	-	-	15,682
<b>Balance at 30 June 2010</b>		<b>32,958</b>	<b>1,148</b>	<b>31</b>	<b>(19,965)</b>	<b>14,172</b>
<b>Balance at 1 July 2010</b>		<b>32,958</b>	<b>1,148</b>	<b>31</b>	<b>(19,965)</b>	<b>14,172</b>
Loss for the year		-	-	-	(13,475)	(13,475)
Other comprehensive income		-	-	141	-	141
<b>Total comprehensive income for the year</b>		-	-	<b>141</b>	<b>(13,475)</b>	<b>(13,334)</b>
<b>Transactions with owners in their capacity as owners:</b>						
Contributions of equity, net of transaction costs	22	154,602	2,069	-	-	156,671
Exercise of options	22	4,630	-	-	-	4,630
Share-based payments	36	-	11,641	-	-	11,641
		<b>159,232</b>	<b>13,710</b>	-	-	<b>172,942</b>
<b>Balance at 30 June 2011</b>		<b>192,190</b>	<b>14,858</b>	<b>172</b>	<b>(33,440)</b>	<b>173,780</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTES	2011 \$'000	2010 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		10,137	2,853
Payments to suppliers and employees (inclusive of GST)		(18,062)	(7,975)
Interest received		2,108	21
Interest and other finance costs paid		(121)	(11)
Income taxes paid		(28)	-
<b>Net cash (outflow) from operating activities</b>	34	<b>(5,966)</b>	<b>(5,112)</b>
<b>Cash flows from investing activities</b>			
Payment for acquisition of subsidiary, net of cash acquired		(61,888)	(5,762)
Payments for property, plant and equipment		(2,890)	(65)
Payments for exploration assets		(2,051)	-
Payments for proposed acquisition of mining permits		(3,815)	-
Payment for bonds		-	(32)
Other		(380)	-
<b>Net cash (outflow) from investing activities</b>		<b>(71,024)</b>	<b>(5,859)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		170,532	21,254
Repayment of borrowings		(207)	(307)
Repayment of loans to external parties		(5,076)	-
Payments for share issue costs		(9,230)	(1,444)
<b>Net cash inflow from financing activities</b>		<b>156,019</b>	<b>19,503</b>
<b>Net increase in cash and cash equivalents</b>		<b>79,029</b>	<b>8,532</b>
Cash and cash equivalents at the beginning of the year		8,276	243
Effects of exchange rate changes on cash and cash equivalents		113	(499)
<b>Cash and cash equivalents at the end of the year</b>	7	<b>87,418</b>	<b>8,276</b>
Non-cash financing and investing activities	34(a)		

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Bathurst Resources Limited and its subsidiaries.

#### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

##### (i) Compliance with IFRS

The consolidated financial statements of the Bathurst Resources Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

##### (ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

##### (iii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

##### (iv) Access to financial information of C&R Holdings of Eastern Kentucky LLC

Bathurst Resources Limited effectively reversed the acquisition of C&R Holdings of Eastern Kentucky LLC (C&R Holdings) on 9 November 2009, which represented over 90% of the group's net assets as at 30 June 2009. As a result of the reversal of the acquisition of C&R Holdings and administrative issues, management of Bathurst Resources Limited did not have access to all of the financial information of C&R Holdings required to prepare the prior year financial statements. Management has therefore used the 30 September 2009 trial balance (latest information available) to prepare the 30 June 2010 financial statements and to account for the effective reversal of the acquisition. Refer to note 32 for further details.

#### (b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Bathurst Resources Limited ('company' or 'parent entity') as at 30 June 2011 and the results of all subsidiaries for the year then ended. Bathurst Resources Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

#### (c) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Foreign currency translation

##### (i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Bathurst Resources Limited's functional and presentation currency.

##### (ii) 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, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to non-group borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented on the face of the income statement.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

##### (iii) 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 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.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

#### (e) 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (iii) Interest revenue

Revenue 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.

### (f) Income tax

The income tax expense or revenue 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 nor 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 liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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.

### (g) 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.

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.

### (h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (h) Business combinations (continued)

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 group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the risk free rate, being the long term government borrowing rate, this is then adjusted for an estimated risk premium to reflect the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as deferred consideration. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

#### (i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### (j) Cash and cash equivalents

Cash and short-term deposits in the balance sheet 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 Cash Flow Statement cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### (k) Trade receivables

Trade receivables are recognised initially at fair value 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.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

#### (l) 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. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of 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 of completion and the estimated costs necessary to make the sale.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (m) Waste in advance

Waste removed in advance (overburden) costs incurred in the development of a mine are capitalised as parts of the costs of constructing the mine and subsequently amortised over the life of the mine.

Waste removal normally continues through the life of the mine. The company defers waste removal costs incurred during the production stage of its operations and discloses it within "other current assets".

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. Such deferred costs are then charged against the income statement to the extent that, in subsequent periods, the ratio falls short of the life of mine ratio. 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.

### (n) Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

### (o) Investment and other financial assets

#### Classification

The group classifies its financial assets in the following categories: loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

#### (i) Loans and receivables

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. Loans and receivables are included in trade and other receivables (note 8) in the balance sheet.

#### Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

#### Measurement

At initial recognition, the group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest rate method.

#### Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (o) Investment and other financial assets (continued)

##### Impairment (continued)

##### (ii) Assets carried at amortised cost

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 the consolidated income statement. If a loan or held-to-maturity investment 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Impairment testing of trade receivables is described in note 1(k).

#### (p) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 item will flow to the group and the cost of the item can be measured reliably. 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.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

#### (q) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (r) Mining and development properties

Mining and development properties include the cost of acquiring and developing mining properties, 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 economically recoverable 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.

### (s) 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 and subsequently measured at amortised cost using the effective interest method.

### (t) 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 removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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.

### (u) 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (v) Employee benefits

##### (i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

##### (ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### (iii) Share-based payments

Share-based compensation benefits are provided to employees via the Bathurst Resources Limited Employee Share Option Plan. Information relating to these schemes is set out in note 36.

The fair value of options granted under the Bathurst Resources Limited Employee Share Option 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 options 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. The company engages independent experts to value the options issued under the share option plan.

Non-market vesting conditions are included in assumptions about the number of options 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 entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

#### (w) 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.

#### (x) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (y) Goods and Services Tax (GST)

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 and 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 Cash Flow Statement 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.

### (z) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

### (aa) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

#### **Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)**

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The group will apply the amended standard from 1 July 2011. When the amendments are applied, the group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

#### **AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)**

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group does not use fair value measurements extensively. It is therefore unlikely that the new rules will have a significant impact on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

#### **Revised IAS 1 Presentation of Financial Statements (effective 1 July 2012)**

In June 2011, the IASB made an amendment to IAS 1 *Presentation of Financial Statements*. The AASB is expected to make equivalent changes to AASB 101 shortly. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. It will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The group intends to adopt the new standard from 1 July 2012.

#### **AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)**

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

There are various other accounting standards and interpretations that have been published that are not mandatory for 30 June 2011 reporting periods. These have not been disclosed here as they will not have an impact on the financial reporting.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (ab) Parent entity financial information

The financial information for the parent entity, Bathurst Resources Limited, disclosed in note 37 has been prepared on the same basis as the consolidated financial statements, except as set out below.

##### (i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Bathurst Resources Limited.

##### (ii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

### NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

#### (i) 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 estimate this life of mine ratio based on geological and survey models as well as reserve information for the areas of interest.

The carrying amount of the waste moved in advance is set out in note 10.

#### (ii) 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(u)). 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 20.

#### (iii) 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 19.

#### (iv) Reserves and Resources

Reserves and Resources are based on information compiled by a Competent Person as defined in accordance with the Australasian Code of Mineral Resources and Ore Reserves of December 2004 (the JORC code). There are numerous uncertainties inherent in estimating Reserves and assumptions that are valid at the time of estimation 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (v) Taxation

The group's accounting policy for taxation requires management judgement in relation to the application of income tax legislation. There are many transactions and calculations undertaken during the ordinary course of business where the ultimate tax determination is uncertain. The group recognises liabilities for tax, and if appropriate taxation investigation or audit issues, based on whether taxation will be due and payable. Where the taxation outcome of such matters is different from the amount initially recorded, such difference will impact the current and deferred tax position in the period in which the assessment is made.

In addition, certain deferred tax assets for deductible temporary differences and carried forward taxation losses have been recognised. In recognising these deferred tax assets assumptions have been made regarding the group's ability to generate future taxable profits. Utilisation of the tax losses also depends on the ability of the tax entities to satisfy certain tests at the time the losses are recouped. If the entities fail to satisfy the tests, the carried forward losses that are currently recognised as deferred tax assets would have to be written off to income tax expense. There is an inherent uncertainty in applying these judgements and a possibility that changes in legislation will impact upon the carrying amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet.

### NOTE 3: SEGMENT INFORMATION

#### (a) Description of segments

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

The Board reviews the business from both a mine and geographic perspective and has identified three reportable segments. The Buller Coal Project segment relates to the development and ultimate exploitation of permit holdings acquired under acquisition of Buller Coal Limited which are located in the Buller Coal region of New Zealand. The Eastern Resources Group segment refers to the operating coal mines operated by the Eastern Resources Group, these coal operations are located in the south of the South Island (Takitimu) and Buller Coal Region (Cascade). The financial position and performance of these segments are monitored and operated separately from each other.

The third segment is Corporate which encompasses the administration and treasury management of the group.

The Buller Coal Project segment was established in November 2010 following the acquisition of Buller Coal Limited (formerly L&M Coal Limited).

The Eastern Resources Group segment was established in March 2011 following the acquisition of Eastern Resources Group Limited.

No comparative segment information has been provided as this is the first year the operations have been able to be split into segments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 3: SEGMENT INFORMATION (CONTINUED)

#### (b) Segment information provided to the Board

The segment information provided to the Board for the reportable segments for the year ended 30 June 2011 is as follows:

	BULLER COAL PROJECT	EASTERN RESOURCES GROUP	CORPORATE	TOTAL
2011	\$'000	\$'000	\$'000	\$'000
Sales revenue	-	5,956	-	5,956
Interest revenue	-	28	5,669	5,697
Other income	-	153	-	153
Total segment revenue	-	6,137	5,669	11,806
Inter segment interest revenue			(3,048)	(3,048)
<b>Revenue from external customers</b>	<b>-</b>	<b>6,137</b>	<b>2,621</b>	<b>8,758</b>
Total revenue per the income statement				<b>8,758</b>
Total segment foreign exchange gain/(loss)	6,748	1,491	(23)	8,216
<b>Profit before tax</b>	<b>(4,155)</b>	<b>882</b>	<b>(11,835)</b>	<b>(15,108)</b>
Profit after tax includes:				
Depreciation and amortisation	20	647	21	688
<b>Total segment assets</b>	<b>249,199</b>	<b>53,832</b>	<b>85,835</b>	<b>388,866</b>
Total assets per the balance sheet				<b>388,866</b>
<b>Total segment liabilities</b>	<b>196,381</b>	<b>18,135</b>	<b>570</b>	<b>215,086</b>
Total liabilities per the balance sheet				<b>215,086</b>

#### (c) Other segment information

##### (i) Segment revenue

Interest revenue between the segments is carried out at arm's length and is eliminated on consolidation. The revenue from external parties reported to the Board is measured in a manner consistent with that in the income statement.

Revenues from external customers are derived from the sale of coal and freight services. Interest revenue from external parties is earned on cash deposits.

##### (ii) Segment assets

The amounts reported to the Board with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is \$343,915 (2010: \$35,015), and the total of these non-current assets located in other countries is \$295,522,798 (2010: \$5,762,361). Segment assets are allocated to countries based on where the assets are located.

##### (iii) Segment liabilities

The amounts reported to the Board with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.



	NOTE	2011 \$'000	2010 \$'000
<b>NOTE 4: REVENUE</b>			
<b>From continuing operation</b>			
<b>Sales revenue</b>			
Coal sales		4,045	-
Freight		1,911	-
		5,956	-
<b>Other revenue</b>			
Interest income		2,649	99
Other		153	-
		2,802	99
<b>Total revenue from operating activities</b>		<b>8,758</b>	<b>99</b>
<b>From discontinued operations</b>			
Coal sales	32	-	3,076
<b>NOTE 5: EXPENSES</b>			
<b>Loss before income tax includes the following specific expenses:</b>			
<b>Depreciation</b>			
Buildings		8	-
Mine infrastructure		75	-
Plant and machinery		120	-
Furniture, fittings, and equipment		46	2
Plant and machinery under finance leases		125	-
		374	2
<b>Amortisation</b>			
Mining licences		143	-
Mining properties		171	-
		314	-
<b>Total depreciation and amortisation</b>		<b>688</b>	<b>2</b>
<b>Finance costs</b>			
Interest expense		181	11
Deferred consideration: unwinding of discount rate (note 19)		3,004	-
<b>Total finance costs</b>		<b>3,185</b>	<b>11</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2011 \$'000	2010 \$'000
<b>NOTE 5: EXPENSES (CONTINUED)</b>		
<b>Loss before income tax includes the following specific expenses (continued):</b>		
<b>Foreign exchange gain/(loss)</b>		
Foreign exchange gains on intercompany loans	1,626	-
Foreign exchange gains on deferred consideration (note 19)	6,613	-
Realised exchange gains/(losses)	(23)	(196)
	8,216	(196)
Net loss on disposal of property, plant and equipment	7	-
Minimum lease payments expense relating to operating leases	188	7
<b>NOTE 6: INCOME TAX BENEFIT</b>		
<b>(a) Income tax expense/(benefit)</b>		
Current tax	(32)	-
Deferred tax	(1,601)	-
	(1,633)	
Deferred income tax (benefit)/expense included in the income tax benefit comprises:		-
Increase in deferred tax assets (note 16)	(1,737)	-
Increase in deferred tax liabilities (note 21)	136	-
	(1,601)	-
<b>(b) Numerical reconciliation of income tax benefit to prima facie tax payable</b>		
Loss from continuing operations before income tax benefit	(15,108)	(4,744)
Tax at the standard Australian rate of 30%	(4,532)	(1,423)
Tax effect of amounts that are not deductible in calculating taxable income:		
Non-deductible expenses	775	565
Revaluation of deferred consideration	653	-
Non-deductible amortisation of fair value adjustments	51	-
Unwinding of discount rates	902	-
Unrealised foreign exchange gains	(2,419)	-
Deductible items for tax purposes	-	(203)
Other	29	-
Potential tax benefits not recognised	2,777	1,061
	(1,764)	-
Effect of change in tax rate on recognised carried forward tax losses	131	-
Income tax benefit	(1,633)	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2011 \$'000	2010 \$'000
<b>(c) Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	10,641	1,384
Potential tax benefit at 30%	3,192	415
The potential tax benefits relate to the following tax jurisdictions:		
Australia	3,192	415
New Zealand	-	-
<b>(d) Unrecognised temporary differences</b>		
Temporary difference relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:		
Foreign currency translation	141	-
Unrecognised deferred tax liabilities relating to the above temporary differences	42	-
A deferred tax liability has not been recognised in respect of temporary differences of \$42,000 (2010: nil) arising as a result of the translation of the financial statements of the consolidated entity's subsidiaries in New Zealand. The deferred tax liability will only arise in the event of disposal of the subsidiary, and no such disposal is expected in the foreseeable future.		
<b>(e) Current tax payable</b>		
Payable assumed on acquisition of subsidiary (refer to note 31)	925	-
Current tax expense	(32)	-
Exchange differences	49	-
Total current tax payable	942	-
	2011 \$'000	2010 \$'000
<b>NOTE 7: CASH AND CASH EQUIVALENTS</b>		
Cash at bank and on hand	9,231	2,276
Deposits at call	78,187	6,000
	87,418	8,276

### (a) Risk exposure

The group's exposure to interest rate risk is discussed in note 25. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 8: TRADE AND OTHER RECEIVABLES

	2011 \$'000	2010 \$'000
Trade receivables	1,765	-
Provision for impairment of receivables	(4)	-
	1,761	-
Loans to key management personnel *	380	-
Advance to director	-	251
GST Receivable	1,250	146
Interest receivable	550	-
Other receivables	46	-
	3,987	397

\* Further information relating to loans to key management personnel is set out in note 26.

#### (a) Impaired trade receivables and past due but not impaired

Ageing information on impaired trade receivables and trade receivables that are past due but not impaired has not been provided. Impaired receivables at 30 June 2011 totalled \$3,588 and trade receivables past due but not impaired at 30 June 2011 totalled \$1,245.

#### (b) Foreign exchange and interest rate risk

Information about the group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 25.

#### (c) Fair value and credit risk

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to note 25 for more information on the risk management policy of the group and the credit quality of the entity's trade receivables.

### NOTE 9: INVENTORIES

	2011 \$'000	2010 \$'000
Raw materials and stores	53	-
Finished goods*	1,005	-
	1,058	-

\* Finished goods are recorded at the lower of cost and net realisable value as per note 1(l).

#### (a) Inventory expense

Inventories recognised as expense during the year ended 30 June 2011 amounted to \$2,849,910 (2010 – nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 10: OTHER CURRENT ASSETS**

	2011 \$'000	2010 \$'000
Waste moved in advance	398	-
Prepayments	139	145
	537	145

**NOTE 11: OTHER CURRENT FINANCIAL ASSETS**

Bonds	-	15
	-	15

**NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

	FREEHOLD LAND \$'000	BUILDINGS \$'000	MINE INFRA- STRUCTURE \$'000	PLANT AND MACHINERY \$'000	PLANT AND MACHINERY UNDER FINANCE LEASE \$'000	FURNITURE, FITTINGS AND EQUIPMENT \$'000	TOTAL \$'000
<b>At 1 July 2009</b>							
Cost	-	-	-	6,575	-	5	6,580
Accumulated depreciation	-	-	-	(903)	-	(1)	(904)
Net book amount	-	-	-	5,672	-	4	5,676
<b>Year ended 30 June 2010</b>							
Opening net book amount	-	-	-	5,672	-	4	5,676
Additions	-	-	-	-	-	34	34
Reversal of C&R Holdings	-	-	-	(4,986)	-	-	(4,986)
Exchange differences	-	-	-	(686)	-	-	(686)
Depreciation charge	-	-	-	-	-	(2)	(2)
Closing net book amount	-	-	-	-	-	36	36
<b>At 30 June 2010</b>							
Cost	-	-	-	-	-	39	39
Accumulated depreciation	-	-	-	-	-	(3)	(3)
Net book amount	-	-	-	-	-	36	36

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 12: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	FREEHOLD LAND	BUILDINGS	MINE INFRA- STRUCTURE	PLANT AND MACHINERY	PLANT AND MACHINERY UNDER FINANCE LEASE	FURNITURE, FITTINGS AND EQUIPMENT	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2011</b>							
Opening net book amount	-	-	-	-	-	36	36
Acquisition of subsidiary	550	362	707	2,435	1,649	115	5,818
Additions	599	-	2,834	171	-	606	4,210
Disposals	-	-	-	(1)	-	(16)	(17)
Exchange differences	42	19	97	122	83	10	373
Depreciation charge	-	(8)	(75)	(120)	(125)	(46)	(374)
<b>Closing net book amount</b>	<b>1,191</b>	<b>373</b>	<b>3,563</b>	<b>2,607</b>	<b>1,607</b>	<b>705</b>	<b>10,046</b>
<b>At 30 June 2011</b>							
Cost or fair value	1,191	488	4,340	4,173	2,371	819	13,382
Accumulated depreciation	-	(115)	(777)	(1,566)	(764)	(114)	(3,336)
<b>Net book amount</b>	<b>1,191</b>	<b>373</b>	<b>3,563</b>	<b>2,607</b>	<b>1,607</b>	<b>705</b>	<b>10,046</b>

#### (a) Assets in the course of construction

The carrying amounts of the assets disclosed above include the following expenditure recognised in relation to property, plant and equipment which is in the course of construction:

	2011 \$'000	2010 \$'000
Mine infrastructure	2,869	-

#### (b) Non-current assets pledged as security

Refer to note 18 for information on non-current assets pledged as security by the group.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	EXPLORATION AND EVALUATION EXPENDITURE	MINING LICENCES AND PROPERTIES	TOTAL
	\$'000	\$'000	\$'000
<b>NOTE 13: MINING LICENCES, PROPERTIES, EXPLORATION, AND EVALUATION ASSETS</b>			
<b>30 June 2011</b>			
Opening net book amount	-	-	-
Acquisition of subsidiary	5,336	272,741	278,077
Additions	2,962	-	2,962
Exchange differences	100	816	916
Amortisation charge	-	(314)	(314)
<b>Closing net book amount</b>	<b>8,398</b>	<b>273,243</b>	<b>281,641</b>

Further details on the fair value of the mining licences and exploration and evaluation assets acquired on the acquisition of subsidiaries are set out in note 31.

	2011 \$'000	2010 \$'000
<b>NOTE 14: OTHER NON-CURRENT FINANCIAL ASSETS</b>		
Security bonds and deposits	282	-
	<b>282</b>	-

Security bonds and deposits have been provided to third parties in relation to rental properties and mine/permit access arrangements.

	2011 \$'000	2010 \$'000
<b>NOTE 15: OTHER NON-CURRENT ASSETS</b>		
Deposit for the acquisition of Buller Coal Limited	-	5,761
Deposit and acquisition costs for the Brookdale assets	3,897	-
	<b>3,897</b>	<b>5,761</b>

The Brookdale assets comprise three permit areas adjacent to Bathurst's existing Cascade and Escarpment blocks. The acquisition of these assets was completed on 21 July 2011. Refer to note 33.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 16: DEFERRED TAX ASSETS

The balance comprises temporary differences attributable to:

	2011 \$'000	2010 \$'000
Tax losses	1,747	-
Accruals	19	-
Employee benefits	56	-
Property, plant and equipment	10	-
	<b>1,832</b>	-
<b>Other</b>		
Provision for rehabilitation	249	-
<b>Total deferred tax assets</b>	<b>2,081</b>	-
Set-off of deferred tax liabilities pursuant to set-off provisions (see note 21)	(2,081)	-
Net deferred tax assets	-	-
Deferred tax assets expected to be recovered within 12 months	2,081	-
Deferred tax assets expected to be recovered after more than 12 months	-	-
	<b>2,081</b>	-

	TAX LOSSES	ACCRUALS	EMPLOYEE BENEFITS	PROPERTY, PLANT AND EQUIPMENT	OTHER	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>MOVEMENTS</b>						
At 30 June 2010	-	-	-	-	-	-
Acquisition of subsidiary	-	10	42	8	230	290
Movement to the profit or loss	1,707	9	11	2	8	1,737
Exchange differences	40	-	3	-	11	54
<b>At 30 June 2011</b>	<b>1,747</b>	<b>19</b>	<b>56</b>	<b>10</b>	<b>249</b>	<b>2,081</b>

The group has recognised a deferred tax asset in relation to the tax losses of the New Zealand entities on the basis that these losses can be utilised by current profit generating New Zealand operations.

### NOTE 17: TRADE AND OTHER PAYABLES

	2011 \$'000	2010 \$'000
Trade payables	4,201	384
Other payables	481	74
	<b>4,682</b>	<b>458</b>

#### (a) Risk exposure

Information on the group's exposure to foreign exchange risk is provided in note 25.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2011 \$'000	2010 \$'000
<b>NOTE 18: BORROWINGS</b>		
<b>Current</b>		
<b>Secured</b>		
Bank loans	273	-
Lease liabilities (note 29)	558	-
	<b>831</b>	-
<b>Non-current</b>		
<b>Secured</b>		
Bank loans	1,385	-
Lease liabilities (note 29)	603	-
	<b>1,988</b>	-

**(a) Security**

The bank loans are secured by an all obligations General Security Agreement given by the Eastern Resources Group Limited ("Eastern") under which each member of the Eastern group 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 Eastern groups assets. In addition to this, the bank has a registered first and exclusive mortgage over the property at Timaru owned by a subsidiary company, Eastern Coal Supplies Limited.

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.

The carrying amount of assets pledged as security for current and non-current borrowings are:

	2011 \$'000	2010 \$'000
<b>Current</b>		
<i>General Security Agreement</i>		
Cash and cash equivalents	2,935	-
Receivables	1,801	-
Inventories	1,058	-
Total current assets pledged as security	5,794	-
<b>Non-current</b>		
<i>First and exclusive mortgage</i>		
Freehold land and buildings	876	-
<i>Finance Lease</i>		
Plant and equipment	1,607	-
<i>General Security Agreement</i>		
Plant and equipment	3,250	-
Total non-current assets pledged as security	5,733	-
Total assets pledged as security	11,527	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 18: BORROWINGS (CONTINUED)

#### (b) Fair value

	2011		2010	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	\$'000	\$'000	\$'000	\$'000
Bank loans	1,658	1,658	-	-
Lease liabilities	1,161	1,161	-	-
	<b>2,819</b>	<b>2,819</b>	-	-

#### (c) Risk exposures

Details of the group's exposure to risks arising from current and non-current borrowings are set out in note 25.

	2011 \$'000	2010 \$'000
<b>NOTE 19: DEFERRED CONSIDERATION</b>		
<b>Current</b>		
Acquisition of subsidiary deferred consideration	41,052	-
	41,052	-
<b>Non-current</b>		
Acquisition of subsidiary deferred consideration	89,387	-
	89,387	-
<b>Total deferred consideration</b>	<b>130,439</b>	-

MOVEMENTS	DEFERRED CONSIDERATION \$'000
Acquisition of subsidiary	132,650
Unwinding of discount rate	3,004
Foreign exchange gain	(6,613)
Revaluation of deferred consideration	2,176
Exchange differences	(778)
<b>At 30 June 2011</b>	<b>130,439</b>

For further details on the deferred consideration on acquisition of subsidiaries refer to note 31.

#### (a) 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. Refer to note 31 for further detail on the payment of the performance payments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2011 \$'000	2010 \$'000
<b>NOTE 20: PROVISIONS</b>		
<b>Current</b>		
Employee benefits	286	-
Rehabilitation	223	-
	509	-
<b>Non-current</b>		
Rehabilitation	668	-
	668	-
<b>Total provisions</b>	<b>1,177</b>	<b>-</b>

### (a) Rehabilitation

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. Refer to note 1(u) for the group's accounting policy on rehabilitation.

### (b) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	REHABILITATION PROVISION \$'000
Carrying amount at start of year	-
Fair value on acquisition of subsidiary	819
Exchange differences	44
Additional provisions recognised and charged to the profit or loss	28
Carrying amount at the end of the year	891

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 21: DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to:

	2011 \$'000	2010 \$'000
Mining licences	76,261	-
Waste moved in advance	290	-
Exploration and evaluation expenditure	350	-
Property, plant and equipment	207	-
<b>Total deferred tax liabilities</b>	<b>77,108</b>	-
Set-off of deferred tax assets pursuant to set-off provisions (see note 16)	(2,081)	-
<b>Net deferred tax liabilities</b>	<b>75,027</b>	-
Deferred tax liabilities expected to be settled within 12 months	2,068	-
Deferred tax liabilities expected to be settled after more than 12 months	75,040	-
	<b>77,108</b>	-

	MINING LICENCES \$'000	WASTE IN ADVANCE \$'000	EXPLORATION AND EVALUATION \$'000	PROPERTY, PLANT AND EQUIPMENT \$'000	TOTAL \$'000
<b>MOVEMENTS</b>					
At 30 June 2010	-	-	-	-	-
Acquisition of subsidiary	76,081	169	323	178	76,751
Movement to the profit or loss	(2)	109	11	18	136
Exchange differences	182	12	16	11	221
<b>At 30 June 2011</b>	<b>76,261</b>	<b>290</b>	<b>350</b>	<b>207</b>	<b>77,108</b>

### NOTE 22: CONTRIBUTED EQUITY

#### (a) Share capital

	2011 SHARES	2010 SHARES	2011 \$'000	2010 \$'000
Ordinary fully paid shares	667,907,997	224,924,333	205,560	35,029
Cost of capital raising			(13,370)	(2,071)
	<b>667,907,997</b>	<b>224,924,333</b>	<b>192,190</b>	<b>32,958</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (b) Movements in ordinary share capital

DETAILS		NUMBER OF SHARES	ISSUE PRICE	\$'000
Opening balance 1 July 2009		66,335,834		18,175
Issue of shares	(c)	79,988,500	\$0.05	3,999
Cancellation of shares on reversal of acquisition		(58,900,001)		(4,395)
Issue of shares	(c)	12,500,000	\$0.08	1,000
Issue of shares	(c)	125,000,000	\$0.13	16,250
				35,029
Less: cumulative costs of capital raising				(2,071)
<b>Balance 30 June 2010</b>		<b>224,924,333</b>		<b>32,958</b>
Issue of shares	(c)	253,333,334	\$0.30	76,000
Rights issue (including shortfall)	(e)	116,269,357	\$0.30	34,881
Conversion of listed and unlisted options	(d)	20,980,973	various	4,630
Issue of shares	(c)	52,400,000	\$1.05	55,020
				205,560
Less: cumulative costs of capital raising				(13,370)
<b>Balance 30 June 2011</b>		<b>667,907,997</b>		<b>192,190</b>

### (c) 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.

### (d) Options

Information relating to the Bathurst Resources Limited Employee Share Option Plan, including details on options issued and exercised during the financial year and options outstanding at the end of the reporting period is set out in note 36.

### (e) Rights issue

On 7 October 2010 the company invited shareholders to subscribe to a rights issue of 116,269,357 ordinary shares at an issue price of \$0.30 per share on the basis of 1 share for every 2 fully paid ordinary shares held. The issue was fully subscribed.

### (f) Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2011 \$'000	2010 \$'000
<b>NOTE 23: RESERVES</b>		
Option issue reserve	14,858	1,148
Foreign currency translation reserve	172	31
	<b>15,030</b>	<b>1,179</b>

### Nature and purpose of reserves

#### Option issue reserve

The option reserve is used to recognise the fair value of options issued but not yet exercised.

#### Foreign currency translation reserve

Exchange differences arising on the translation of foreign controlled entities are recognised in other comprehensive income as described in note 1(d) and accumulated in a separate reserve within equity.

### NOTE 24: DIVIDENDS

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

### NOTE 25: FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management program 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 ageing 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.

	2011 \$'000	2010 \$'000
The group holds the following financial instruments:		
<b>Financial assets</b>		
Cash and cash equivalents	87,418	8,276
Trade and other receivables	3,987	397
Other financial assets (security bonds and deposits)	282	15
	<b>91,687</b>	<b>8,688</b>
<b>Financial liabilities</b>		
Trade and other payables	4,682	458
Borrowings	2,819	-
Deferred consideration	130,439	-
	<b>137,940</b>	<b>458</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (a) Market risk

#### (i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the NZ dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Due to the stage that the group is in regards to its Buller Coal Project and the resulting uncertainty around the future foreign exchange cash flows management has not set up formal foreign exchange risk policies.

As certainty around the timing of the cash flows required and generated by the project become clearer an appropriate foreign exchange risk management policy will be introduced.

The group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	30 JUNE 2011		30 JUNE 2010	
	NZD	USD	NZD	USD
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	3,224	-	-	-
Trade receivables	1,761	-	-	-
Other financial assets	224	-	-	-
Trade payables	(3,719)	-	-	-
Borrowings	(2,819)	-	-	-
Deferred consideration	-	130,439	-	-

#### Sensitivity

Based on the financial assets and liabilities held in foreign currency at 30 June 2011, had the Australian dollar weakened/strengthened by 10% against the NZ dollar with all other variables held constant, the group's post-tax profit for the year would have been \$9,393,000 lower/\$7,696,000 higher, mainly as a result of foreign exchange gains/losses on translation of Australian dollar denominated intra group loans. These intra group loans are not shown in the above table as the balances are eliminated upon consolidation; however the accounting standards stipulate that the foreign exchange gains/losses on these intra group loans must remain in the consolidated income statement of the group.

Profit is also sensitive to movements in the NZ dollar/US dollar exchange rates due to the US dollar denominated deferred consideration shown in the table above. Had the NZ dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the group's post-tax profit for the year would have been \$14,520,000 lower/\$11,881,000 higher due only to the conversion of the US dollar denominated deferred consideration payments.

No comparative commentary is provided as the group had no foreign exchange risk as at 30 June 2010.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 25: FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (ii) Cash flow and fair value interest rate risk

The group's main interest rate risk arises from long term borrowings. Borrowings that are issued at variable interest rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk if the borrowings are carried at fair value. The group has very limited debt and as such there is no formal policy around levels of fixed and variable borrowings to be maintained. During 2011, the group's borrowings (both fixed and variable) were denominated in NZ dollars.

As at the end of the reporting period, the group had the following variable rate borrowings:

	30 JUNE 2011		30 JUNE 2010	
	WEIGHTED AVG INTEREST RATE	BALANCE	WEIGHTED AVG INTEREST RATE	BALANCE
	%	\$'000	%	\$'000
Bank loans	4.2%	1,658	-	-

An analysis by maturities is provided in (c) below.

The group's fixed rate borrowings and receivables are carried at amortised cost, they are therefore not subject to interest rate risk as defined in AASB 7.

Due to the relatively low borrowings of the group the group does not regularly analyse its interest rate exposure and cash flow interest rate risk. As the group matures and the borrowings increase management will develop appropriate policies and manage the risk accordingly.

#### Sensitivity

At 30 June 2011, if interest rates had been 100 basis points higher or lower during the year with all other variables held constant, post-tax profit for the year would have been \$300,000 higher/lower, mainly as a result of higher/lower interest income from cash and cash equivalents.

#### (b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents as well as credit exposures to our customers, including outstanding receivables. For banks and financial institutions, only S&P rated parties with a minimum rating of 'A-1+' are accepted. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The compliance with credit limits by corporate customers is regularly monitored by management. Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2011 \$'000	2010 \$'000
<b>Trade receivables</b>		
<i>Counterparties with an external credit rating (S&amp;P)</i>		
A-1	201	-
<i>Counterparties without external credit rating</i>		
Group 1*	1,560	-
<b>Total trade receivables</b>	<b>1,761</b>	-
<b>Cash at bank and short-term deposits</b>		
A-1+	87,418	8,276

\* Group 1 – existing customers (more than 6 months) with no defaults in the past.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when they fall due. At the end of the reporting period the group held deposits at call of \$78,187,202 (2010 – \$6,000,000) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the project, the group maintains flexibility in liquidity through the use of rolling deposit maturity cycles and by maintaining availability under committed credit lines.

Given the large cash reserves of the business the focus of management is to maximise returns on this cash rather than adopt a formal liquidity management policy.

### Financing arrangements

The group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2011 \$'000	2010 \$'000
<b>Floating rate</b>		
Bank overdraft (expiring within one year)	416	-

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

### 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 FINANCIAL LIABILITIES	LESS THAN 6 MONTHS	6 – 12 MONTHS	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS	TOTAL CONTRACT- UAL CASH FLOWS	CARRYING AMOUNT
AT 30 JUNE 2011	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade payables	4,682	-	-	-	-	4,682	4,682
Borrowings (excluding finance leases)	170	167	1,390	-	-	1,727	1,658
Finance leases	321	321	383	287	-	1,312	1,161
Deferred consideration	575	41,176	46,053	36,190	17,383	141,377	130,439
<b>Total</b>	<b>5,748</b>	<b>41,664</b>	<b>47,826</b>	<b>36,477</b>	<b>17,383</b>	<b>149,098</b>	<b>137,940</b>

### (d) Fair value measurements

The group has financial assets or financial liabilities that require disclosure by fair value, there is no difference between the fair value and the carrying value of these financial assets and financial liabilities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 26: KEY MANAGEMENT PERSONNEL DISCLOSURES

#### (a) Key management personnel compensation

	2011 \$'000	2010 \$'000
<b>Short-term employee benefits</b>	2,346	497
Post-employment benefits	97	8
Share based payments	9,998	74
	<b>12,441</b>	<b>579</b>

Detailed remuneration disclosures are provided in the remuneration report on pages 22 to 29.

#### (b) Equity instrument disclosures relating to key management personnel

##### (i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with the terms and conditions of such options, can be found in the remuneration report on pages 22 to 29.

##### (ii) Option holdings

2011						
NAME	BALANCE AT START OF YEAR	GRANTED AS COMPEN- SATION	EXERCISED	BALANCE AT END OF YEAR	VESTED AND EXERCISABLE	UNVESTED
<b>Directors of Bathurst Resources Limited</b>						
Craig Munro	-	4,500,000	-	4,500,000	3,250,000	1,250,000
Rob Lord	-	3,500,000	-	3,500,000	2,250,000	1,250,000
Malcolm Macpherson	-	2,000,000	-	2,000,000	2,000,000	-
Hamish Bohannan	2,400,000	10,000,000	-	12,400,000	9,900,000	2,500,000
Gerald Cooper	1,500,000	6,500,000	-	8,000,000	6,000,000	2,000,000
<b>Other key management personnel of the group</b>						
Timothy Manners	-	6,000,000	300,000	5,700,000	3,700,000	2,000,000
Max Brunson	-	5,000,000	-	5,000,000	3,000,000	2,000,000
Alan Thom	-	2,000,000	-	2,000,000	2,000,000	-
Marianne Rogers	-	5,000,000	-	5,000,000	3,000,000	2,000,000
Craig Pilcher	-	-	-	-	-	-

All vested options are exercisable at the end of the year.

2010						
NAME	BALANCE AT START OF YEAR	GRANTED AS COMPEN- SATION	EXERCISED	BALANCE AT END OF YEAR	VESTED AND EXERCISABLE	UNVESTED
<b>Directors of Bathurst Resources Limited</b>						
Craig Munro	-	-	-	-	-	-
Rob Lord	-	-	-	-	-	-
Hamish Bohannan	2,400,000	-	-	2,400,000	-	2,400,000
Gerald Cooper	1,500,000	-	-	1,500,000	-	1,500,000
Steve O'Dea	-	-	-	-	-	-



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (iii) Share holdings

The number of shares in the company held during the financial year by each Director of Bathurst Resources Limited and other key management personnel of the group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2011		RECEIVED DURING THE YEAR ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF YEAR
NAME	BALANCE AT START OF YEAR			
<b>Directors of Bathurst Resources Limited</b>				
Craig Munro	200,000	-	262,526	462,526
Rob Lord	-	-	460,938	460,938
Malcolm Macpherson	-	-	40,000	40,000
Hamish Bohannan	5,645,000	-	4,025,658	9,670,658
Gerald Cooper	200,000	-	100,000	300,000
<b>Other key management personnel of the group</b>				
Timothy Manners	351,000	300,000	(188,502)	462,498
Max Brunsdon	1,002,000	-	(100,000)	902,000
Alan Thom	-	-	-	-
Marianne Rogers	-	-	-	-
Craig Pilcher	-	-	12,000	12,000

2010		RECEIVED DURING THE YEAR ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF YEAR
NAME	BALANCE AT START OF YEAR			
<b>Directors of Bathurst Resources Limited</b>				
Craig Munro	-	-	200,000	200,000
Hamish Bohannan	545,000	-	5,100,000	5,645,000
Gerald Cooper	-	-	200,000	200,000
Steve O'Dea	-	-	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 26: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

#### (c) Loans to key management personnel

Details of loans made to Directors of Bathurst Resources Limited and other key management personnel of the group, including their personally related parties are set out below.

##### (i) Aggregates for loans to key management personnel

	BALANCE AT THE START OF THE YEAR	INTEREST PAID AND PAYABLE FOR THE YEAR	INTEREST NOT CHARGED	BALANCE AT THE END OF THE YEAR	NUMBER IN THE GROUP AT THE END OF THE YEAR
	\$	\$	\$	\$	
2011	-	31,363	-	380,000	1
2010	-	-	-	-	-

##### (ii) Individuals with loans above \$100,000 during the financial year

	BALANCE AT THE START OF THE YEAR	INTEREST PAID AND PAYABLE FOR THE YEAR	INTEREST NOT CHARGED	BALANCE AT THE END OF THE YEAR	HIGHEST INDEBTEDNESS DURING THE YEAR
	\$	\$	\$	\$	\$
H Bohannan	-	31,363	-	380,000	380,000

The loan outstanding at the end of the year to H Bohannan is an unsecured loan which is repayable on 31 October 2011. Interest is payable on the loan at a rate of 12.5%.

#### (d) Other transactions with key management personnel

No other transactions with key management personnel were entered into during the current or prior year.

### NOTE 27: REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2011 \$'000	2010 \$'000
<b>PwC Australia</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	225	-
Due diligence services	53	-
Total remuneration for audit and other assurance services	278	-
<b>(ii) Taxation services</b>		
Tax compliance services	24	-
Consulting advice on mergers and structuring	9	-
Total remuneration for taxation services	33	-
<b>(iii) Other services</b>		
ESOP structuring advice	10	-
	10	-
Total remuneration of PwC Australia	321	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2011 \$'000	2010 \$'000
<b>PwC New Zealand</b>		
<b>(i) Audit and other assurance services</b>		
Due diligence services	30	-
Total remuneration for audit and other assurance services	30	-
<b>(ii) Taxation services</b>		
Tax compliance services	28	-
Consulting advice on mergers and structuring	49	-
Total remuneration for taxation services	77	-
Total remuneration of PwC New Zealand	107	-
<b>BDO New Zealand</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	41	-
Total remuneration for audit and other assurance services	41	-
<b>WHK Horwath</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	-	142
Total remuneration for audit and other assurance services	-	142
<b>Total auditors remuneration</b>	<b>469</b>	<b>142</b>

## NOTE 28: CONTINGENT LIABILITIES

On 7 July 2011 the group was formerly notified of a dispute between Galilee Energy Limited (the vendors of Eastern Resources Group Limited) and Bathurst Resources Limited. The dispute has arisen from the treatment of current tax payables in the calculation of the completion payment under the Share Purchase Agreement entered into with Galilee Energy Limited. The amount being claimed is \$782,020. Legal advice provided to Bathurst Resources Limited has supported the position taken by the group and as such no amount has been recorded in the financial statements for the claim.

	2011 \$'000	2010 \$'000
<b>NOTE 29: COMMITMENTS</b>		
<b>(a) Capital commitments</b>		
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
<b>Property, plant and equipment</b>		
Within one year	1,009	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 29: COMMITMENTS

#### (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.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2011 \$'000	2010 \$'000
Within one year	306	38
Later than one year but not later than five years	532	32
Later than five years	104	-
	942	70

##### (ii) Finance leases

The group leases various plant and equipment with a carrying amount of \$1,608,000 under finance leases expiring within one to two years.

Commitments in relation to finance leases are payable as follows:

	2011 \$'000	2010 \$'000
Within one year	642	-
Later than one year but not later than five years	670	-
Later than five years	-	-
Minimum lease payments	1,312	-
Future finance charges	(151)	-
Recognised as a liability	1,161	-
The present value of finance lease liabilities is as follows:		
Within one year	558	-
Later than one year but not later than five years	603	-
Later than five years	-	-
Minimum lease payments	1,161	-

#### (c) Exploration expenditure commitments

The group holds various exploration permits which have as part of their conditions minimum work programs.

Commitments in relation to exploration permits are payable as follows:

Within one year	720	-
Later than one year but not later than five years	1,961	-
Later than five years	965	-
	3,646	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 30: 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 following subsidiaries in accordance with the accounting policy described in note 1(h).

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING	
			2011 %	2010 %
Bathurst New Zealand Limited	New Zealand	Ordinary	100	-
Bathurst Coal Limited	New Zealand	Ordinary	100	-
Buller Coal Limited	New Zealand	Ordinary	100	-
Eastern Resources Group Limited	New Zealand	Ordinary	100	-
Cascade Coal Limited	New Zealand	Ordinary	100	-
Somervilles Land Hold Limited	New Zealand	Ordinary	100	-
Cascade West Limited	New Zealand	Ordinary	100	-
Cascade East Limited	New Zealand	Ordinary	100	-
Takitimu Coal Limited	New Zealand	Ordinary	100	-
Rochfort Coal Limited	New Zealand	Ordinary	100	-
Eastern Coal Supplies Limited	New Zealand	Ordinary	100	-
Bathurst Resources USA, LLC	USA	Ordinary	100	100

#### (c) Key management personnel

Disclosures relating to key management personnel are set out in note 26.

### NOTE 31: BUSINESS ACQUISITIONS

#### Buller Coal Limited (formerly L&M Coal Limited)

##### (a) Summary of acquisition

On 9 November 2010 Bathurst Resources Limited acquired 100% of the issued shares in Buller Coal Limited (formerly L&M Coal Limited), a New Zealand registered entity which owns the mining rights to the Buller Coal Project. The consideration was \$172,884,824 (Australian dollar equivalent at acquisition date) which includes a fair value assessment of future royalties payable under the purchase agreement. The acquisition allows Bathurst to continue with its strategic goal to become a significant New Zealand based coal producer.

Details of the purchase consideration and the net assets acquired are as follows:

	\$'000
Purchase consideration	
Cash paid	40,235
Deferred consideration – performance payments (fair value) (ii)	72,231
Deferred consideration – royalties (fair value) (iii)	60,419
<b>Total purchase consideration</b>	<b>172,885</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 31: BUSINESS ACQUISITIONS (CONTINUED)

#### Buller Coal Limited (formerly L&M Coal Limited) (continued)

The assets and liabilities recognised as a result of the acquisition at acquisition date are as follows:

	FAIR VALUE \$'000
Trade and other receivables	25
Other financial assets	4
Property, plant and equipment	89
Mining tenements and exploration assets	238,364
Trade and other payables	(26)
Deferred tax liability	(65,571)
Net identifiable assets acquired	172,885

#### (i) Acquisition related costs

Acquisition related costs (including due diligence and DFS costs) of \$2,702,691 have been included in income statement.

#### (ii) Deferred consideration - cash

The deferred cash consideration is made up of two payments of US\$40,000,000, 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 potential undiscounted amount of all future cash payments that the group could be required to make under these arrangements is between US\$0 and US\$80,000,000. The fair value of the cash contingent consideration of \$72,231,256 at the time of acquisition was estimated using an appropriate discount rate and the production profile as represented in the Definitive Feasibility Study ("DFS"). The US dollar amounts have been converted to New Zealand dollars at the date of acquisition (and then to Australian dollars at the same date for reporting purposes), the effect of subsequent movements in the exchange rates have been taken to the income statement in accordance with the Australian Accounting Standards.

#### (iii) Deferred consideration – royalties

As part of the consideration paid for Buller Coal Limited ("Buller") Bathurst was party to a royalty agreement with L&M Coal Holdings Limited. The amounts that are payable in the future under this royalty agreement are required, under the Australian Accounting Standards, to be recognised as part of the consideration paid for Buller. The fair value of the royalty payable of \$60,418,639 at the time of acquisition was estimated using an appropriate discount rate and the production profile as represented in the DFS (incorporating the Escarpment and Deep Creek blocks only). In addition to this, forecasted US\$ coal prices have been estimated using forecasts from leading investment banks. The US dollar amounts have been converted to New Zealand dollars at the date of acquisition (and then to Australian dollars at the same date for reporting purposes). The effect of changes in the foreign exchange rate is recognised in the income statement in the period the change occurs.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (iv) Future earnings impact - royalties

The royalty payments payable under the royalty agreements are required to be fair valued at each balance date until the liability is fully extinguished. The fair value exercise at each balance date will take into account exchange rates, US\$ coal price forecasts, discount rates, and changes in production profiles. The effect of any subsequent movements in the fair value of the deferred consideration will be taken to the income statement in accordance with the Australian Accounting Standards.

### (v) Acquired receivables

The fair value of trade and other receivables is \$24,685 and is made up entirely of NZ GST refundable. The amount has been received in full post acquisition.

### (vi) Revenue and profit contribution

The acquired business contributed revenues of \$374 and a net loss of \$2,355,236 to the group for the period from 9 November 2010 to 30 June 2011. If the acquisition had occurred on 1 July 2010, consolidated revenues and the consolidated loss for the year ended 30 June 2011 would have been \$490,723 and \$1,890,000 respectively.

### Eastern Resources Group Limited

#### (a) Summary of acquisition

On 18 March 2011 Bathurst Resources Limited acquired 100% of the issued shares in Eastern Resources Group Limited, a New Zealand registered entity with two operating coal mines in New Zealand, a coal distribution facility and the exploration rights to the Whareatea West permit which sits adjacent to the Buller Coal Project. The acquisition enhances Bathurst's strategic position in the Buller area and makes Bathurst a New Zealand based coal producer.

Consideration paid for the acquisition was \$28,486,139 made up entirely of cash payments.

The assets and liabilities recognised as a result of the acquisition at acquisition date are as follows:

	FAIR VALUE \$'000
Cash and cash equivalents	1,071
Trade and other receivables	4,203
Inventories	940
Other financial assets	321
Property, plant and equipment	5,729
Mining tenements and exploration assets	39,713
Non-current financial assets	165
Trade and other payables	(3,267)
Financial liabilities	(7,604)
Provisions	(969)
Current tax liability	(925)
Deferred tax liability	(10,891)
Net identifiable assets acquired	28,486

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 31: BUSINESS ACQUISITIONS (CONTINUED)

#### Eastern Resources Group Limited (continued)

##### (i) Acquisition related costs

Acquisition related costs (including due diligence costs) of \$610,269 have been included in income statement.

##### (ii) Acquired receivables

The fair value of acquired trade receivables is \$4,134,482. The gross contractual amount for trade receivables due is \$4,143,271, of which \$8,788 is expected to be uncollectible.

##### (iii) Revenue and profit contribution

The acquired business contributed revenues of \$6,136,118 and a net profit of \$306,784 to the group for the period from 19 March 2011 to 30 June 2011. If the acquisition had occurred on 1 July 2010, consolidated revenues and the consolidated loss for the year ended 30 June 2011 would have been \$23,708,732 and \$118,885 respectively. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiary to reflect the additional amortisation that would have been charged assuming the fair value adjustment to mine properties had applied from 1 July 2010, together with the consequential tax effects.

##### (b) Purchase consideration – cash outflow

	\$'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	28,486
Less: cash balances acquired	(1,071)
Outflow of cash – investing activities	27,415

### NOTE 32: DISCONTINUED OPERATIONS

#### (a) Description

On 9 November 2009, Bathurst Resources Limited announced that it had agreed with C&R Holdings and the original vendors to effectively reverse the acquisition of C&R Holdings. The agreement included the significant terms below.

- The company transferred the ownership of C&R Holdings back to the original vendors as at 9 November 2009;
- The original vendors transferred the 58,900,001 shares they hold in the company back to the company as at 9 November 2009. The company has cancelled these shares issued as consideration for the original purchase, and related matters on 3 December 2009.

#### (b) Financial performance and cash flow information

As detailed in Note 1, even though the effective reversal of C&R Holdings was done on 9 November 2009, the financial performance and cash flow information presented are for the three months ended 30 September 2009. The combined results of the discontinued operations which have been included in the income statement are as set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued.

Following the agreement to reverse the acquisition of C&R Holdings of Eastern Kentucky LLC ("C&R Holdings"), the management of Bathurst Resources Limited did not have access to all of the financial information of C&R Holdings required to prepare the prior year financial statements. Management have therefore used the 30 September 2009 trial balance which was the latest financial information available to prepare its 30 June 2010 financial statements including the impact of its disposal of the company. If the company had access to the financial information of C&R Holdings at 9 November 2009 (disposal date), the overall net loss on sale of \$2,687,000 would remain unchanged, however, the amounts shown in the footnotes would have differed from the amounts disclosed.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2011 \$'000	2010 \$'000
The financial performance and cash flows to 30 September 2009:		
Revenue	-	3,076
Cost of sales	-	(3,014)
Administration costs	-	(196)
Employee costs	-	(839)
Profit before income tax	-	(973)
Income tax expense	-	-
Loss on sale of the asset after income tax	-	(2,687)
<b>Total loss after tax attributable to the discontinued operations</b>	<b>-</b>	<b>(3,660)</b>
The net cash flows to the discontinued asset which have been incorporated in the Statement of Cash Flows are as follows:		
Net cash outflow from operating activities	-	(973)
Net cash outflow from investing activities	-	(191)
<b>Net decrease in cash generated by the discontinuing division</b>	<b>-</b>	<b>(1,164)</b>
<b>(c) Carrying amounts of assets and liabilities</b>		
The carrying amounts of assets and liabilities as at 30 September 2009:		
Cash	-	221
Trade receivables	-	150
Other assets	-	976
Property, plant and equipment	-	4,986
Mine Development and exploration and evaluation expenditure	-	10,000
<b>Total assets</b>	<b>-</b>	<b>16,333</b>
Trade payables	-	3,395
Borrowings	-	6,187
Long term provisions	-	344
Intercompany loans	-	2,535
<b>Total liabilities</b>	<b>-</b>	<b>12,461</b>
<b>Net assets</b>	<b>-</b>	<b>3,872</b>
<b>(d) Details of the disposal of business unit</b>		
Consideration received on cancellation of shares	-	4,395
Less:		
Provision for C&R related loans	-	(3,210)
Carrying amount of net assets sold	-	(3,872)
Loss on sale before income tax	-	(2,687)
Income tax expense	-	-
<b>Loss on sale after income tax</b>	<b>-</b>	<b>(2,687)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 33: EVENTS OCCURRING AFTER THE REPORTING PERIOD

#### Completion of Brookdale assets acquisition

On 21 July 2011 Buller Coal Limited completed its acquisition of the Brookdale assets. These assets comprise three permit areas adjacent to Bathurst's existing Cascade and Escarpment blocks. Settlement was made via \$7.5m in cash (US\$8 million) and the issue of 15 million shares in Bathurst Resources Limited. In addition to this, a life of mine royalty based on a fixed percentage of sales will be payable.

The financial effects of this transaction have not been reflected at 30 June 2011, except for the recognition of the deposit paid in May 2011 of \$3.8 million (US\$4 million).

#### Resource Consents Granted

On 26 August 2011, Bathurst was advised that the Resource Consent for the proposed Escarpment Mine Project had been granted subject to certain conditions. The Resource Consents are still subject to appeal. The appeal period closes on or about 19 September 2011. At the date of this report one appeal has been lodged with the Environment Court of New Zealand.

### NOTE 34: RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2011 \$'000	2010 \$'000
Loss for the year	(13,475)	(8,404)
Share based payments	11,641	368
Unrealised foreign exchange gain/(loss)	(8,239)	196
Unwinding of discount rate	3,004	-
Revaluation of deferred consideration	2,176	-
Impairment loss	-	1,679
Depreciation and amortisation	688	2
Loss on disposal of property, plant and equipment	6	-
Changes in operating assets and liabilities:		
(Increase)/decrease in trade debtors	2,586	-
(Increase)/decrease in other operating assets	(1,683)	(300)
(Increase)/decrease in inventories	(67)	-
Increase/(decrease) in trade and other payables	(94)	1,741
Increase/(decrease) in other liabilities	(1,006)	-
Increase/(decrease) in other provisions	130	(394)
Increase/(decrease) in income taxes payable	(30)	-
Increase/(decrease) in deferred tax liabilities	(1,603)	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(5,966)</b>	<b>(5,112)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (a) Non-cash financing and investing activities

#### Deferred consideration

The acquisition of Buller Coal Limited (formerly L&M Coal Limited) included deferred cash consideration, specifically two performance payments of US\$40 million payable on the first 25,000 and 1 million tonnes sold from the Buller Coal Project as well as an ongoing royalty agreement. Refer to note 31 for further details.

#### Options issued on Capital Raising

During the year options were issued to Helmsec Global Capital Limited in satisfaction of capital raising fees. The value of the options issued was \$2,069,475, refer to note 36 for further information.

	2011 CENTS	2010 CENTS
<b>NOTE 35: EARNINGS PER SHARE</b>		
<b>(a) Basic earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the company	(2.76)	(3.97)
From discontinued operations	-	(3.07)
Total basic earnings per share attributable to the ordinary equity holders of the company	(2.76)	(7.04)
<b>(b) Diluted earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the company	(2.76)	(3.97)
From discontinued operations	-	(3.07)
Total diluted earnings per share attributable to the ordinary equity holders of the company	(2.76)	(7.04)
<b>(c) Reconciliation of earnings used in calculating earnings per share</b>		
Earnings used in the calculation of basic and dilutive earnings per share:		
Earnings from continued operations	(13,475)	(4,744)
Earnings from discontinued operations	-	(3,660)
<b>Total earnings</b>	<b>(13,475)</b>	<b>(8,404)</b>
<b>(d) Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares during the period used in the calculation of basic and dilutive earnings per share	488,234,924	119,399,359
Adjustments for calculation of diluted earnings per share:		
Options	37,703,440	21,444,785
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	525,938,364	140,844,144

### (e) Rights issue

During the year a two for one rights issue was made to existing shareholders at an offer price below the quoted share price on the day the issue was made. Under AASB 113 Earnings Per Share such an issue results in an implied bonus which is applied retrospectively to the earnings per share calculations. In accordance with AASB 133 the comparative earnings per share information has been restated to reflect the rights issue in the current year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 36: SHARE-BASED PAYMENTS

#### (a) Employee share option plan

The Bathurst Resources Limited Employee Share Option Plan ("ESOP") was approved by shareholders at the 2010 annual general meeting. The ESOP is designed to provide directors, senior executives, employees, and consultants with an opportunity to participate in the company's future growth and gives them an incentive to contribute to that growth. The ESOP has been established to enable the company to attract and retain skilled and experienced directors, senior executives, employees, and consultants and to provide them with the motivation to make the company more successful and deliver long-term shareholder returns.

Under the plan, participants are granted units in the ESOP Trust, some of which only vest upon the shipment of the first 25,000 tonnes from the Buller Coal Project. Participation in the ESOP is at the Board's discretion.

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

ISSUE	GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	BALANCE AT THE END OF THE YEAR	VESTED AND EXERCISABLE AT THE END OF THE YEAR
A	18 Aug 10	30 Sept 13	15 <sup>(1)</sup> cents	-	9,500,000	-	9,500,000	9,500,000
B	20 Aug 10	30 Sept 13	21 <sup>(2)</sup> cents	-	1,000,000	-	1,000,000	1,000,000
C	20 Aug 10	30 Sept 13	15 <sup>(1)</sup> cents	-	11,000,000	-	11,000,000	11,000,000
D	29 Nov 10	30 Sept 13	21 cents	-	1,000,000	-	1,000,000	1,000,000
E	29 Nov 10	31 Dec 13	40 cents	-	14,000,000	-	14,000,000	7,000,000
F	6 Dec 10	31 Dec 13	40 cents	-	15,000,000	300,000	14,700,000	7,200,000
G	18 Apr 11	31 Dec 13	113 cents	-	2,000,000	-	2,000,000	2,000,000
H	18 Apr 11	31 Dec 13	85 cents	-	2,000,000	-	2,000,000	2,000,000
<b>Total</b>				-	<b>55,500,000</b>	<b>300,000</b>	<b>55,200,000</b>	<b>40,700,000</b>
Weighted average exercise price				-	32.6 cents	40 cents	32.7 cents	30.1 cents

(1) As a result of the rights issue in November 2010 the exercise price of these options was adjusted to 10.8 cents

(2) As a result of the rights issue in November 2010 the exercise price of these options was adjusted to 16.8 cents

No options expired during the periods covered by the table above.

There were no options on issue under the Bathurst Resources Limited Employee Share Option Plan for the year ended 30 June 2010.

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2011 was \$1.22 (2010 – not applicable).

The weighted average remaining contractual life of share options outstanding at the end of the reporting period was 2.40 years (2010 – not applicable).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2011 ranged between 9.8 cents and 56.1 cents per option (2010 – not applicable). The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

MODEL INPUTS	A	B	C	D
Options issued for no consideration	9,500,000	1,000,000	11,000,000	1,000,000
Exercise price (cents)	10.8	16.8	10.8	21
Grant date	18 Aug 10	20 Aug 10	24 Aug 10	29 Nov 10
Expiry date	30 Sept 13	30 Sept 13	30 Sept 13	30 Sept 13
Share price at grant date (cents)	22	23	22	58
Expected price volatility	72.98%	72.98%	72.98%	72.98%
Expected dividend yield	0%	0%	0%	0%
Risk free interest rate	5.23%	5.23%	5.23%	5.23%
Fair value per option (cents)	11.1	9.8	11.5	43.2

MODEL INPUTS	E *	F *	G	H
Options issued for no consideration	14,000,000	15,000,000	2,000,000	2,000,000
Exercise price (cents)	40	40	113	85
Grant date	29 Nov 10	6 Dec 10	18 Apr 11	18 Apr 11
Expiry date	31 Dec 13	31 Dec 13	31 Dec 13	31 Dec 13
Share price at grant date (cents)	56	56	117	117
Expected price volatility	72.98%	72.98%	85.76%	85.04%
Expected dividend yield	0%	0%	0%	0%
Risk free interest rate	5.23%	5.23%	5.25%	5.25%
Fair value per option (cents)	28.3	25.9	48.5	56.1

\* Of these options issued, 50% have vested immediately and 50% will vest upon the shipment of the first 25,000 tonnes from the Buller Coal Project.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to the future volatility due to publically available information.

### (b) Other option issues

In addition to the options issued to Directors, employees and consultants under the Bathurst Resources Limited Employee Share Option Plan further options were issued to consultants under other consultancy agreements.

The options granted carry no dividend or voting rights.

A total of 14,784,109 options were issued on 5 November 2010 with an exercise price of 36 cents and an expiry date of 15 November 2013. None of these options were exercised during the year. The share price on the date of issue was 40 cents and the remaining contractual life of the options at the end of the period was 2.35 years.

A total of 2,500,000 options were issued on 5 November 2010 with an exercise price of 30 cents and an expiry date of 15 May 2013. All of these options were exercised during the year. The share price on the date of issue was 40 cents and at the date of exercise was 94 cents.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 36: SHARE-BASED PAYMENTS (CONTINUED)

#### (b) Other option issues (continued)

##### Fair value of options granted

The assessed fair value at grant date of the other options granted during the year ended 30 June 2011 ranged from 13.9 cents and 22.1 cents. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for other options granted during the year ended 30 June 2011 included:

##### MODEL INPUTS

Options issued for no consideration	14,784,109	2,500,000
Exercise price (cents)	36	30
Grant date	5 Nov 10	5 Nov 10
Expiry date	15 Nov 13	15 May 13
Share price at grant date (cents)	40	40
Expected price volatility	72.98%	72.98%
Expected dividend yield	0%	0%
Risk free interest rate	5.23%	5.23%
Fair value per option (cents)	13.9	22.1

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for an expected changes to future volatility due to publically available information.

#### (c) Expenses arising from the share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	2011 \$'000	2010 \$'000
Options issued under the employee option plan recognised in the income statement	11,191	67
Options issued recognised in the income statement	450	-
Shares issued recognised in the income statement	-	101
Other options issued recognised directly in equity as costs of equity raising	2,069	200
	<b>13,710</b>	<b>368</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 37: PARENT ENTITY INFORMATION

#### (a) Summary of financial information

The individual financial statements for the parent entity show the following aggregate amounts:

##### Balance sheet

	2011 \$'000	2010 \$'000
Current assets	85,491	8,833
Total assets	175,850	14,630
Current liabilities	570	458
Total liabilities	570	458
<i>Shareholders' equity</i>		
Issued capital	192,190	32,958
Reserves		
Option issue reserve	14,859	1,148
Foreign exchange translation reserve	31	31
Retained earnings	(31,800)	(19,965)
	175,280	14,172
Loss for the year	(11,835)	(8,756)
Total comprehensive income	(11,835)	(8,756)
 (b) Contractual commitments		
No later than one year	146	38
Later than one but not later than five years	269	32
Later than five years	-	-
	415	70

#### (c) Guarantees entered into by the parent entity

The parent entity has provided financial guarantees in respect of bank loans of subsidiaries amounting to \$1,658,000 (2010: nil). This loan is secured by registered mortgages over the freehold properties of the Eastern Resources Group Limited (and its subsidiaries) as well as a first ranking security interest over Eastern Resources Group Limited (and its subsidiaries) present and future acquired property (including proceeds).

#### (d) Contingent liabilities of the parent entity

Refer to note 28 for details of the contingent liabilities of the parent entity.

## DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 44 to 93 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



**Craig Munro**  
Chair

15 September 2011

## INDEPENDENT AUDITOR'S REPORT



### **Independent auditor's report to the members of Bathurst Resources Limited**

#### **Report on the financial report**

We have audited the accompanying financial report of Bathurst Resources Limited (the company), which comprises the balance sheet as at 30 June 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Bathurst Resources Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial reports are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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## INDEPENDENT AUDITOR'S REPORT



**pwc**

### **Independent auditor's report to the members of Bathurst Resources Limited (continued)**

#### *Auditor's opinion*

In our opinion:

- (a) the financial report of Bathurst Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

#### **Report on the Remuneration Report**

We have audited the remuneration report included in pages 13 to 21 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

#### *Auditor's opinion*

In our opinion, the remuneration report of Bathurst Resources Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

#### **Other Matter**

We were appointed auditors of Bathurst Resources Limited during the year ended 30 June 2011. The audit opinion for the year ended 30 June 2010 was disclaimed as the company's previous auditors, WHK Horwath Perth, were unable to obtain sufficient appropriate audit evidence in relation to a subsidiary of the company, C&R Holdings of Eastern Kentucky LLC. The factors giving rise to the basis for disclaimer of opinion in the prior period no longer exist for the year ended 30 June 2011 and therefore the current year audit opinion is unmodified.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*Nick Henry*

Nick Henry  
Partner

Perth  
15 September 2011



## ASX AND ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 30 September 2011.

### A. Distribution of equity securities

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

HOLDING	ORDINARY SHARES
1 - 1,000	426
1,001 - 5,000	955
5,001 - 10,000	779
10,001 - 100,000	1,634
100,001 and over	396
	4,190

There were 295 holders of less than a marketable parcel of ordinary shares.

### B. Equity security holders

#### Twenty largest quoted equity security holders

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

NAME	ORDINARY SHARES	
	NUMBER HELD	PERCENTAGE OF ISSUED SHARES
National Nominees Limited	104,063,739	15.12
HSBC Custody Nominees	73,114,781	10.62
J P Morgan Nominees Australia Limited	68,166,956	9.90
Merrill Lynch (Australia) Nominees Pty Limited	50,468,082	7.33
HSBC Custody Nominees	30,372,520	4.41
Citicorp Nominees Pty Limited	22,414,341	3.26
Mr RJ Griffiths & Mrs JD Griffiths	15,000,000	2.18
UBS Nominees Pty Limited	14,131,715	2.05
RBC Dexia Investor Services Aust Nominees Pty Ltd	12,848,675	1.87
Cogent Nominees Limited	12,292,317	1.79
JP Morgan Nominees Australia Limited	10,664,149	1.55
UBS Wealth Management Aust Nominees Pty Limited	7,706,120	1.12
AMP Life Limited	6,443,441	0.94
Mr H Bohannon & Ms J Bohannon	6,300,000	0.92
RBC Dexia Investor Services Aust Nominees Pty Ltd	6,144,824	0.89
HSBC Custody Nominees	5,000,357	0.73
Bond Street Custodians Limited	3,772,293	0.55
Mr John Desmond Martin	3,500,000	0.51
John Wardman & Associates Pty Limited	3,469,999	0.50
HSBC Custody Nominees	3,346,125	0.49
	459,220,434	66.72



## ASX AND ADDITIONAL INFORMATION

### B. Equity security holders (continued)

#### Unquoted equity securities

	NUMBER ON ISSUE	NUMBER OF HOLDERS
Unquoted options on issue	72,210,776	22

### C. Substantial holders

Substantial holders in the company are set out below:

	NUMBER HELD	PERCENTAGE OF ISSUED SHARES
Bank of America Corporation *	87,102,554	12.66
Mathews Capital Partners Pty Limited *	77,867,342	11.31
J P Morgan Chase & Co	42,004,432	6.10

\* The shares held by Mathews Capital Partners Pty Limited ("Mathews") are subject to hypothecation with Bank of America Corporation ("Bank of America") and as such Bank of America is required to report these holdings in their notice of substantial holdings.

### D. Voting rights

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

#### (a) Ordinary shares

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

#### (b) Options

No voting rights.

### E. NZX disclosure

As required by the NZX Listing Rules, the company discloses that the rules set out in Appendix 17 of the NZX Listing Rules do not apply to the company as it is a Dual Listed Issuer.

## TENEMENT SCHEDULE

LOCATION	PERMIT NUMBER	REGISTERED HOLDER	BATHURST INTEREST
Escarpment	MP 51279	Buller Coal Limited	Bathurst 100%
Cascade Creek	MP 41274	Buller Coal Limited	Bathurst 100%
Cascade Creek	MP 41332	Buller Coal Limited	Bathurst 100%
Cascade Creek	MP 41456	Buller Coal Limited	Bathurst 100%
Cascade Creek	MP 41455	Cascade Coal Limited	Bathurst 100%
Buller	EP 40628	Buller Coal Limited	Bathurst 100%
Coal Creek	EP 51078	Buller Coal Limited	Bathurst 100%
Mokihinui	EP 53756	Buller Coal Limited	Bathurst 100%
Whareatea	EP 40591	Rochfort Coal Limited	Bathurst 100%
Canterbury	PP 52484	Rochfort Coal Limited	Bathurst 100%
Ohai	EP 51260	Rochfort Coal Limited	Bathurst 100%
Nightcaps	ML 37079	Takitimu Coal Limited	Bathurst 100%

[www.bathurstresources.co.nz](http://www.bathurstresources.co.nz)