



**BATHURST**  
RESOURCES LTD

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## **BATHURST RESOURCES LIMITED**

**ABN 93 125 679 469**

**Interim Report for the half-year ended 31 December 2011**

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Bathurst Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

## 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 half-year ended 31 December 2011.

### Directors

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

Craig Munro	Non-Executive Chairman
Hamish Bohannon	Managing Director
Gerry Cooper	Executive Director
Rob Lord	Non-Executive Director
Malcolm Macpherson	Non-Executive Director

### Operating and financial review

The consolidated entity made a net loss before tax for the half-year of \$19.0m (2010: \$15.6m). The net loss before tax comprised of the following key items:

	\$m
Operating mines	(0.2)
Deferred consideration Fair value and foreign exchange adjustments	(13.0)
Foreign exchange losses on intercompany loans	(3.0)
Administration and support costs	(4.9)
Interest revenue	2.1
<b>Net loss before income tax</b>	<b>(19.0)</b>
Income tax benefit	1.4
<b>Loss for the half year after tax</b>	<b>(17.6)</b>

Included in the \$13.0 million loss on the adjustment to Deferred Consideration (which is payable in US dollars) is \$9.7 million of unrealised foreign exchange losses due to the weakening NZ dollar relative to the US Dollar. This deferred consideration only becomes payable upon production targets as set out in Note 6 to the financial statements and as such is considered to be naturally hedged against US dollar sales receipts expected at the time the deferred consideration falls due.

**Operating and financial review (continued)**

The cash outflow for the consolidated entity for the half-year was \$22.4m which included operational cash outflows before interest and tax of \$5.1m. The operational cash flows comprised cash outflows from operating mines of \$1.1m, these cash flows were adversely affected by large overburden movement as we prepared to move into new mining blocks and the build-up of coal stockpiles during the period. When steady state export sales from Buller are established in 2012 the cash flow from mining operations is expected to be positive.

The remaining operational cash outflows before interest and tax is made up of administrative and support cash outflows of \$4.0m. Other significant cash flows for the half-year included the settlement of the Coalbrookdale asset acquisition for \$7.2m, payments for property, plant and equipment of \$5.1m, and exploration, evaluation and consenting (costs in relation to the granting of required approvals) of \$3.9m.

The consolidated entity had \$64.7m cash on hand at 31 December 2011 (30 June 2011: \$87.4m).

The table below shows the production and sales information for the 6 months ended 31 December 2011:

Operation (Mine)	Coal Production (t) *	Overburden (bcm's)	Coal Sales (t) *
Buller Coal Project	27,492	773,393	28,836
Eastern Coal	104,659	779,350	93,776
<b>Consolidated</b>	<b>132,151</b>	<b>1,552,743</b>	<b>122,612</b>

\* includes a small quantity of 3<sup>rd</sup> party purchased coal used for blending purposes.

For comparative purposes, the production and sales information for the 6 months ended 31 December 2010 was as follows (#):

Operation (Mine)	Coal Production (t)	Overburden (bcm's)	Coal Sales (t) *
Buller Coal Project	30,447	243,969	30,377
Eastern Coal	108,078	544,346	95,032
<b>Consolidated</b>	<b>138,525</b>	<b>788,315</b>	<b>125,409</b>

# - note that Bathurst had no beneficial interest in the production or sales for the 6 months ended 31 December 2010. This information is provided for comparative purposes only.

**Buller Coal Project**

The Buller Coal Project comprises the Cascade open cut mine and the exploration permits located in Buller region of New Zealand (including Escarpment, Deep Creek, Whareatea West, and Coalbrookdale.)

**Operating and financial review (continued)**

South Buller - Cascade

Historically Cascade has produced approximately 45,000 tonnes per annum of high value low contaminant coal for the local industrial market. Following the acquisition of the Eastern Coal business in 2011, Bathurst has increased production at Cascade allowing export sales to commence in addition to current contracted commitments in New Zealand.

The first shipment of Cascade material left Westport bound for the Port of Taranaki where it was discharged pending final shipment to a customer in Asia. The shipment utilised existing storage and ship loading facilities at Westport. A shipment of very low ash coal has also been sold as a trial parcel to a ferro-silicon producer in Western Australia, shipped in containers from the Port of Lyttelton.

Development drilling has continued at Cascade which has now provided further information for mine planning to increase production to a rate of approximately 100,000 tonnes per annum over the next six months. Drilling has also identified potential resources accessible from the recently acquired Coalbrookdale and Escarpment permits.

Meanwhile, the Cascade operations have continued without incident maintaining their incident free status.

Project Approvals - Escarpment

The construction and development of the South Buller - Escarpment mine requires an access arrangement and a concession agreement from the Department of Conservation together with resource consents (environmental approvals) from the West Coast Regional Council and the Buller District Council before work can commence.

*Resource Consents*

Bathurst's wholly owned subsidiary – Buller Coal Ltd – was granted resource consents for its proposed Escarpment Mine Project ("EMP") by an independent panel of Commissioners representing the local councils in August 2011.

These resource consents are now the subject of three appeals from:

- West Coast Environmental Network Incorporated;
- Fairdown-Whareatea Residents Association Incorporated; and
- The Royal Forest and Bird Protection Society of New Zealand Incorporated.

The principal environment judge assigned to the appeals case called a pre-hearing conference with the parties, including the Company and the appellants, which took place on Monday 13 February 2012. The company expects the substantive appeal case to heard in the June 2012 quarter.

### **Operating and financial review (continued)**

The company also commenced mediation with the Residents Association during the period. A Court appointed independent mediator has facilitated the process. The matters discussed at mediation are required to remain confidential between Bathurst and the Residents during the mediation process, however any agreed outcomes will be announced subsequently.

#### *Access Arrangement & Concession Agreements*

The company has made all required submissions to the Department of Conservation ("DoC"). Bathurst will provide an update on these agreements as discussions with DoC progress.

#### Development of Coalbrookdale

During the period Bathurst continued to develop plans for the Coalbrookdale project which comprises three (3) permits adjacent to the Company's existing Escarpment and Cascade blocks at South Buller.

The Coalbrookdale project has all the required permits in place to commence development of a small underground operation. Bathurst is close to finalising all necessary drilling and technical studies and has signed a Heads of Agreement with an underground contractor.

#### ***Eastern Coal***

Eastern Coal comprises the Takitimu and Coaldale mines located in the Nightcaps area, north of Invercargill and the Coal Yard in Timaru, south of Christchurch. The sub-bituminous coal from the open cut Takitimu operation is railed to a number of customers in the Southland and Canterbury areas.

The final highwall cutback has been established in the existing Takitimu mine with the exhausted pit being progressively backfilled as coal winning continues. The existing infrastructure is being upgraded as planned for the commencement of the Coaldale project adjacent to the current operations.

The Coaldale Block Mining Services Contract has been awarded to NZ mining contractor Stevenson Mining Ltd. The Coaldale development will ensure coal supply over the next five years. Coaldale mine infrastructure has commenced with the haul road construction and the forming of an earth bund to minimize noise to the Nightcaps Township.

All environmental and landowner agreements are in place.

#### **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 8.

**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**  
**Chairman**

Perth  
15 March 2012

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## Auditor's Independence Declaration

As lead auditor for the review of Bathurst Resources Limited for the half year ended 31 December 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'C. Heatley'.

Craig Heatley  
Partner  
PricewaterhouseCoopers

Perth  
15 March 2012

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**Bathurst Resources Limited**  
**Consolidated income statement**  
For the half-year ended 31 December 2011

		Half-year	
	Notes	2011 \$'000	2010 \$'000
<b>Revenue from continuing operations</b>	<b>3</b>	<b>15,282</b>	717
Changes in inventories of finished goods and work in progress		1,059	-
Raw materials, mining costs, and consumables used		(7,131)	-
Freight expense		(3,892)	-
Employee benefit expense		(3,822)	(786)
Depreciation and amortisation expense		(1,318)	(11)
Acquisition and business development expense		(105)	(2,112)
Other expenses		(2,963)	(2,627)
Finance costs	4	(2,646)	(74)
Foreign exchange loss	4	(12,733)	(2,828)
Share-based payments		(28)	(7,841)
Revaluation of deferred consideration	6	(725)	-
<b>Loss before income tax</b>		<b>(19,022)</b>	(15,562)
Income tax benefit		1,412	-
Loss from continuing operations		<u>(17,610)</u>	<u>(15,562)</u>
<b>Loss for the half-year</b>		<b><u>(17,610)</u></b>	<b><u>(15,562)</u></b>
		<b>Cents</b>	Cents
<b>Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share		(2.57)	(4.64)
Diluted earnings per share		(2.57)	(4.64)
<b>Earnings per share for loss attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share		(2.57)	(4.64)
Diluted earnings per share		(2.57)	(4.64)

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

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**Bathurst Resources Limited**  
**Consolidated statement of comprehensive income**  
For the half-year ended 31 December 2011

	Notes	Half-year	
		2011 \$'000	2010 \$'000
<b>Loss for the half-year</b>		<b>(17,610)</b>	(15,562)
<b>Other comprehensive expense</b>			
Exchange differences on translation of foreign operations		259	(54)
<b>Total comprehensive loss for the half-year</b>		<b>(17,351)</b>	(15,616)
Total comprehensive loss for the half-year attributable to the Owners of Bathurst Resources Limited		<b>(17,351)</b>	(15,616)

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

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**Bathurst Resources Limited**  
**Consolidated balance sheet**  
For the half-year ended 31 December 2011

	Notes	31 December 2011 \$'000	30 June 2011 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		64,698	87,418
Trade and other receivables		4,670	3,987
Inventories		2,079	1,058
Other financial assets		3,043	-
Other assets		706	537
<b>Total current assets</b>		<b>75,196</b>	<b>93,000</b>
<b>Non-current assets</b>			
Property, plant and equipment		13,100	10,046
Mining licences, properties, exploration and evaluation assets	5	303,932	281,641
Other financial assets		294	282
Other assets		-	3,897
<b>Total non-current assets</b>		<b>317,326</b>	<b>295,866</b>
<b>Total assets</b>		<b>392,522</b>	<b>388,866</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		3,809	4,682
Borrowings		796	831
Deferred consideration	6	41,922	41,052
Current tax liabilities		-	942
Provisions		324	509
<b>Total current liabilities</b>		<b>46,851</b>	<b>48,016</b>
<b>Non-current liabilities</b>			
Borrowings		1,577	1,988
Deferred consideration	6	96,654	89,387
Deferred tax liabilities		72,525	75,027
Provisions		951	668
<b>Total non-current liabilities</b>		<b>171,707</b>	<b>167,070</b>
<b>Total liabilities</b>		<b>218,558</b>	<b>215,086</b>
<b>Net assets</b>		<b>173,964</b>	<b>173,780</b>
<b>EQUITY</b>			
Contributed equity	7	209,697	192,190
Reserves		15,317	15,030
Accumulated losses		(51,050)	(33,440)
<b>Total equity</b>		<b>173,964</b>	<b>173,780</b>

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

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**Bathurst Resources Limited**  
**Consolidated statement of changes in equity**  
For the half-year ended 31 December 2011

Consolidated	Notes	Contributed Equity \$'000	Option Reserve \$'000	Foreign Exchange Translation Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
<b>Balance at 1 July 2010</b>		32,958	1,148	31	(19,965)	14,172
<b>Total comprehensive income for the half-year</b>		-	-	(54)	(15,562)	(15,616)
<b>Transactions with owners in their capacity as owners:</b>						
Contributions of equity, net of transaction costs (exc share based payments)		104,580	-	-	-	104,580
Exercise of options		3,338	-	-	-	3,338
Share-based payments – share issue costs		(2,070)	2,070	-	-	-
Share-based payments – income statement		-	7,841	-	-	7,841
		105,848	9,911	-	-	115,759
<b>Balance at 31 December 2010</b>		138,806	11,059	(23)	(35,527)	114,315
<b>Balance at 1 July 2011</b>		192,190	14,858	172	(33,440)	173,780
<b>Total comprehensive income / (loss) for the half-year</b>		-	-	259	(17,610)	(17,351)
<b>Transactions with owners in their capacity as owners:</b>						
Contributions of equity, net of transaction costs (exc share based payments)	7	15,998	-	-	-	15,998
Exercise of options	7	1,509	-	-	-	1,509
Share-based payments		-	28	-	-	28
		17,507	28	-	-	17,535
<b>Balance at 31 December 2011</b>		209,697	14,886	431	(51,050)	173,964

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

**Bathurst Resources Limited**  
**Consolidated statement of cash flows**  
For the half-year ended 31 December 2011

	Notes	Half-year	
		2011 \$'000	2010 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		13,541	-
Payments to suppliers and employees		(18,673)	(5,773)
Interest received		2,116	487
Interest and other finance costs paid		(117)	(66)
Income taxes paid		(983)	-
<b>Net cash (outflow) from operating activities</b>		<u>(4,116)</u>	<u>(5,352)</u>
<b>Cash flows from investing activities</b>			
Payments for exploration expenditure		(3,937)	(154)
Payments for property, plant and equipment		(5,078)	(586)
Net cash paid on acquisition of subsidiary		-	(34,473)
Payments for mining permits		(7,204)	-
Payments made in relation to proposed acquisition of subsidiary		-	(2,400)
Advances to third parties		(3,120)	-
Other		-	(384)
<b>Net cash (outflow) from investing activities</b>		<u>(19,339)</u>	<u>(37,997)</u>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		1,509	114,221
Borrowing repayments		(414)	-
Payments for share issue costs		(43)	(6,302)
<b>Net cash inflow from financing activities</b>		<u>1,052</u>	<u>107,919</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(22,403)</b>	64,570
Cash and cash equivalents at the beginning of the half-year		87,418	8,276
Effects of exchange rate changes on cash and cash equivalents		(317)	(1)
<b>Cash and cash equivalents at the end of the half-year</b>		<u>64,698</u>	<u>72,845</u>

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

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

This general purpose interim financial report for the half-year reporting period ended 31 December 2011 has been prepared in accordance with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Bathurst Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

**Note 2 Segment information**

**(a) Descriptions 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 mining, development and ultimate exploitation of permits under the Buller Coal management team in the Buller region of New Zealand. The Eastern Coal segment refers to the Takitimu mine and Timaru coal handling and distribution centre under the Eastern management team. The financial performance of these segments is monitored and operated separately from each other.

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

During the period the definitions of the operating segments have changed to align to changes in the management structure of the group. The Cascade mine and Whareatea West permit area now fall under the Buller Coal management team and are reported under the Buller Coal Project, this mine and permit area previously fell under Eastern Resources Group. The Eastern Resources Group segment has been renamed Eastern Coal to reflect the recent rebranding initiatives undertaken by the group.

No comparative segment information has been provided as this is the first half year period the operations have been split into segments.

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**Note 2 Segment information (continued)**

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

Half-year 2011	Buller Coal Project \$'000	Eastern Coal \$'000	Corporate \$'000	Total \$'000
Sales revenue	3,154	10,195	-	13,349
Interest revenue	122	119	1,919	2,160
Other income	7	267	-	274
Total segment revenue	3,283	10,581	1,919	15,783
Inter segment revenue	(411)	(90)	-	(501)
<b>Revenue from external customers</b>	<b>2,872</b>	<b>10,491</b>	<b>1,919</b>	<b>15,282</b>
Total revenue per the income statement				<b>15,282</b>
Total segment foreign exchange gain / (loss)	(12,172)	(561)	-	(12,733)
<b>Profit / (Loss) before tax</b>	<b>(18,180)</b>	<b>242</b>	<b>(1,084)</b>	<b>(19,022)</b>
Profit / (Loss) before tax includes:				
Depreciation and amortisation	981	302	35	1,318
<b>Total segment assets</b>	<b>324,680</b>	<b>12,349</b>	<b>55,493</b>	<b>392,522</b>
Total assets per the balance sheet				<b>392,522</b>
<b>Total segment liabilities</b>	<b>213,563</b>	<b>4,472</b>	<b>523</b>	<b>218,558</b>
Total liabilities per the balance sheet				<b>218,558</b>

**(c) Other segment information**

*(i) Segment revenue*

Transactions between the segments are carried out at arm's length and are 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.

**Note 2 Segment information (continued)**

**(c) Other segment information (continued)**

*(ii) Segment assets (continued)*

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is \$396,297, and the total of these non-current assets located in other countries is \$316,928,632. 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 3 Revenue**

	Half-year	
	2011 \$'000	2010 \$'000
<b>Sales revenue</b>		
Coal sales	8,237	-
Freight	4,701	-
<b>Total sales revenue</b>	12,938	-
<b>Other revenue</b>		
Interest income	2,070	717
Other	274	-
<b>Total other revenue</b>	2,344	717
<b>Total revenue from operating activities</b>	15,282	717

**Note 4 Loss for the half year**

	Half-year	
	2011 \$'000	2010 \$'000
<b>Loss before income tax includes the following specific expenses:</b>		
<b>Finance costs</b>		
Interest expense	116	74
Unwind of discount rate on of deferred consideration (note 6)	2,530	-
<b>Total finance costs</b>	2,646	74
<b>Foreign exchange loss</b>		
Foreign exchange losses on intercompany loans	(3,003)	(2,836)
Foreign exchange losses on deferred consideration (note 6)	(9,715)	-
Realised exchange losses	(15)	8
<b>Total foreign exchange loss</b>	(12,733)	(2,828)

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**Note 5 Mining licences, properties, exploration and evaluation assets**

	Exploration & Evaluation Expenditure \$'000	Mining Licences & Properties \$'000	Total \$'000
Opening net book amount at 30 June 2011	8,398	273,243	281,641
Additions	3,528	27,590	31,118
Effect of prior period adjustment (note 6)	-	(2,673)	(2,673)
Amortisation	-	(602)	(602)
Exchange differences	(210)	(5,342)	(5,552)
<b>Closing net book amount at 31 December 2011</b>	<b>11,716</b>	<b>292,216</b>	<b>303,932</b>

**Acquisition of the Coalbrookdale Assets**

On 21 July 2011 Bathurst completed its acquisition of the Coalbrookdale (previously known as Brookdale) Assets from Mr. Robert Griffiths and Brookdale Mining Limited (an associated entity of Mr. Griffiths). The Coalbrookdale Assets were acquired for US\$12 million and 15 million shares in Bathurst Resources Limited. In addition to this, a life of mine royalty based on a fixed percentage of FOB revenue will be payable.

**Note 6 Deferred consideration**

	31 December 2011 \$'000	30 June 2011 \$'000
<b>Current</b>		
Deferred consideration	<u>41,922</u>	<u>41,052</u>
<b>Non-current</b>		
Deferred consideration	<u>96,654</u>	<u>89,387</u>
<b>Total deferred consideration</b>	<b><u>138,576</u></b>	<b><u>130,439</u></b>
		<b>Deferred Consideration \$'000</b>
<b>Movements</b>		
Opening balance – 30 June 2011		130,439
Effect of prior period adjustment (note 5)		(2,673)
Unwinding of discount rate		2,530
Foreign exchange loss		9,715
Revaluation of deferred consideration		725
Exchange differences		(2,160)
<b>Closing balance – 31 December 2011</b>		<b><u>138,576</u></b>

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**Note 6     Deferred consideration (continued)**

The deferred consideration relates to the acquisition of Buller Coal Limited (formerly L&M Coal Limited) made on 9 November 2010. The purchase consideration includes deferred cash payments and ongoing royalty payments.

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 permits acquired from L&M Coal Holdings Ltd and the second payable upon 1 million tonnes of coal being shipped.

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.

The deferred royalty payments, payable under a royalty agreement with L&M Coal Holdings Limited, 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 dollar 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.

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 dollar 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.

**Note 7 Equity securities issued**

	<b>2011</b>	2010	<b>2011</b>	2010
	<b>Shares</b>	Shares	<b>\$'000</b>	\$'000
<b>Issues of ordinary shares during the half-year</b>				
Exercise of options	<b>6,540,000</b>	15,999,730	<b>1,509</b>	3,338
Share placement	-	253,333,334	-	76,000
Acquisition of Coalbrookdale Assets	<b>15,000,000</b>	-	<b>15,998</b>	-
Rights issue	-	116,269,357	-	34,882
	<u><b>21,540,000</b></u>	<u>385,602,421</u>	<u><b>17,507</b></u>	<u>114,220</u>

**Note 8 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.

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In the directors' opinion:

- a) the financial statements and notes set out on pages 9 to 19 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 Group's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b) there are reasonable grounds to believe that Bathurst Resources Limited will be able to pay its debts as and when they become due and payable.

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



**Craig Munro**  
**Chairman**

Perth  
15 March 2012

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

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Bathurst Resources Limited (the company), which comprises the balance sheet as at 31 December 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected 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 during that half-year.

#### *Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bathurst Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

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

**PricewaterhouseCoopers, ABN 52 780 433 757**  
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**Independent auditor's review report to the members of  
Bathurst Resources Limited (cont'd)**

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Bathurst Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

A handwritten signature in black ink that appears to read 'Craig Heatley' in a cursive script.

Craig Heatley  
Partner

Perth  
15 March 2012

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