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8 June 2016

Market Announcements
Australian Securities Exchange
Level 4, 20 Bridge Street
Sydney
NSW 2000

NOTICE OF SPECIAL MEETING

The Board of Bathurst Resources Limited ("Bathurst" or "the Company" NZX/ASX: BRL) advises that a Special Meeting of the Company is to be held at Minter Ellison Rudd Watts, 125 The Terrace, Wellington, New Zealand on Thursday 23 June 2016 at 10am.

As announced in April 2016, Bathurst is seeking to raise AUD\$4.25 million in the form of an unsecured convertible note to refinance its current facilities, enable the evaluation of an impending NZ coal opportunity and to provide additional working capital for development.

The purpose of this special meeting is to seek shareholder approval for the future issue of shares, on conversion of the convertible notes, to be issued by the Company.

The enclosed Notice of Special Meeting and Independent Advisors Report have been distributed to shareholders today.

The Board would also wish to advise that the company's current Chief Financial Officer, Jason Hungerford, has been appointed joint company secretary with Mr Bill Lyne.

On behalf of Bathurst Resources Limited

A handwritten signature in blue ink, appearing to read 'Toko Kapea', is written over a light grey circular background.

Toko Kapea
Chairman

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BATHURST RESOURCES LIMITED

NZCN 4382538

Notice of Special Meeting Explanatory Statement and Proxy Form

Date of Meeting

Thursday, 23 June 2016

Time of Meeting

10:00 a.m. (NZST)

Place of Meeting

Minter Ellison Rudd Watts, Level 18, 125 The Terrace, Wellington, New Zealand

This Notice of Special Meeting and Explanatory Statement should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

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Notice of Special Meeting

NOTICE IS HEREBY GIVEN THAT A SPECIAL MEETING OF SHAREHOLDERS OF BATHURST RESOURCES LIMITED CN 4382538 (“Bathurst”/ “Company”) WILL BE HELD AT MINTER ELLISON RUDD WATTS, LEVEL 18, 125 THE TERRACE, WELLINGTON, NEW ZEALAND ON THURSDAY, 23 June 2016, AT 10:00 A.M. (NZST).

AGENDA

An Explanatory Statement containing information in relation to each of the following Resolutions accompanies this Notice of Special Meeting.

BUSINESS

The business of the Special Meeting is to consider and if thought fit pass the following Resolutions for the purposes of approving the proposed issue of Convertible Notes.

RESOLUTIONS

1. **Resolution 1 – Approval of the Issue of Shares to Republic Investment Management Pte Ltd on conversion of Convertible Notes to be issued**

To consider and if thought fit, to pass, with or without amendment, the following Resolution as an **Ordinary Resolution**:

“That, for the purposes of Rule 7(d) of the Takeovers Code, Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 193,181,818 Shares to Republic Investment Management Pte Ltd (RIM) on conversion (if any) of the convertible notes issued to RIM on the terms and conditions set out in the Explanatory Statement”.

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by Republic Investment Management Pte Limited, any person who may participate in the proposed issue and any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed, and any associates of those persons.

2. **Resolution 2 – Approval of the Issue of Shares to Professional Investors on conversion of Convertible Notes to be issued**

To consider and if thought fit, to pass, with or without amendment, the following Resolution as an **Ordinary Resolution**:

“Conditional on Resolution 1 being approved, that, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 90,909,091 Shares on conversion (if any) of the convertible notes issued to selected professional investors on the terms and conditions set out in the Explanatory Statement”.

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed, and any associates of those persons.

Due to different voting exclusions that apply to each Resolution, the Company has chosen to seek two Resolutions from Shareholders in order to proceed with the proposed capital raise. Resolution 2 is conditional on Resolution 1 being passed.

While Resolutions 1 and 2 are separate, the total number of Shares that may be issued under the authority of Resolutions 1 and 2 will not exceed 193,181,818 Shares as the number of convertible notes (and therefore, on conversion, Shares) issued to RIM will be reduced by the number of convertible notes issued to professional investors.

BY ORDER OF THE BOARD

Bill Lyne
Company Secretary
Dated: 8 June 2016

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ENTITLEMENT TO ATTEND AND VOTE

You will be entitled to attend and vote at the Special General Meeting if you are registered as a Shareholder of the Company as at 5:00 p.m. (NZST) on 20 June 2016. This is because the Board has determined that the Shares on issue at that time will be taken, for the purposes of the Special General Meeting, to be held by the persons who held them at that time. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

HOW TO VOTE

Voting in person

Shareholders who plan to attend the Meeting are asked to arrive at the venue 15 minutes prior to the time designated for the Meeting if possible, so that their holding may be checked against the Company's register of members and attendances recorded.

Corporate Representatives

A body corporate, which is a Shareholder or which has been appointed as a proxy, may appoint an individual to act as its corporate representative at the Meeting. Any Letter of Corporate Representation must be provided to the Company's share registry no later than 48 hours prior to the date and time for the convening of the Meeting.

Voting by proxy

A Shareholder who is entitled to attend and cast a vote at the Meeting may appoint a proxy. A proxy need not be a Shareholder and may be an individual or body corporate. If a body corporate is appointed as a proxy it must appoint a corporate representative to exercise its powers as proxy at the Meeting (see above).

In order to appoint a proxy, a Shareholder will need to complete and return the Proxy/Voting Form attached to this Notice of Meeting.

A Shareholder who is entitled to cast two or more votes may appoint two proxies to attend the Meeting and vote on their behalf and may specify the proportion or a number of votes each proxy is appointed to exercise. If a Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes (disregarding fractions). If you wish to appoint a second proxy, you may copy the enclosed Proxy/Voting Form or obtain a form from the Company's share registry.

To be effective for the Meeting a proxy appointment (and any power of attorney or other authority under which it is signed or otherwise authenticated, or a certified copy of that authority) must be received at the address or fax number below no later than 10:00am (NZST) 21 June 2016, being 48 hours before the time of the Meeting. Any proxy appointment received after that time will not be valid for the Meeting.

The Chairman of the meeting or any other Director who is appointed as proxy intends to vote discretionary proxies in favour of the relevant Resolution.

Share Registry	On-line	www.investorvote.co.nz
	By mail	Computershare Investor Services Limited Private Bag 92119 Auckland 1142 New Zealand
	By fax	+64 9 488 8787

For further information concerning the appointment of proxies and the ways in which proxy appointments may be submitted, please refer to the enclosed Proxy/Voting Form.

Voting by attorney

A Shareholder may appoint an attorney to attend and vote on their behalf. For an appointment to be effective for the meeting, the instrument effecting the appointment (or a certified copy of it) must be received by the Company at the address listed above for the receipt of proxy appointments at least 48 hours prior to the commencement of the meeting.

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Explanatory Statement

Ordinary Business

1. This Explanatory Statement is for the information of Shareholders of Bathurst Resources Limited (the **Company**) in connection with Resolutions to be considered at the Special Meeting of the Company to be held on 23 June 2016 at 10:00 a.m. (NZST). If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisors before voting.
2. These explanatory notes set out the details of the transactions which are the subject of the Resolutions and the approvals required by the Shareholders of the Company under the Takeovers Code Approval Order 2000 (the **Takeovers Code**) and the ASX Listing Rules.

Background

3. The Company wishes to raise capital through a capital raising comprising an issue of Convertible Notes to professional investors, including the Company's substantial Shareholder Republic Investment Management Pte. Ltd (**RIM**).
4. On 18 April 2016 the Company entered into a conditional Convertible Note Commitment Agreement with RIM for the issue of 4,250 convertible notes (**Convertible Notes**) of AUD \$1,000 each (**RIM Convertible Note Agreement**).
5. The key terms of the RIM Convertible Note Agreement are set out in Appendix 4.
6. The RIM Convertible Note Agreement is conditional on receiving the approval of the Company's Shareholders to the issue of ordinary Shares in the Company on the conversion (if any) of the Convertible Notes.
7. While RIM has initially committed to subscribe for 4,250 Convertible Notes of AUD \$1,000 each, the number of Convertible Notes issued to it will be reduced by up to 2,000 (to 2,250) as the Company has obtained commitments from professional investors to subscribe for Convertible Notes on the same terms to those contained in the RIM Convertible Note Agreement (**Underwriting Arrangement**).
8. Approval of the Shareholders is being sought for:
 - (a) the issue of up to a maximum of 193,181,818 ordinary Shares to RIM on the conversion (if any) of its Convertible Notes under the Convertible Note Agreement in accordance with:
 - (i) the Takeovers Code, as discussed further in paragraphs 12 to 21 below; and
 - (ii) ASX Listing Rule 7.1, as discussed further in paragraphs 27 to 31 below; and
 - (b) the issue of up to a maximum of 90,909,091 ordinary Shares to be issued to professional investors on substantially similar terms to the RIM Convertible Note Agreement in accordance with the Listing Rules, as discussed further in paragraphs 27 to 31 below.

While the proposed Resolutions are separate, the total number of Shares that may be issued will not exceed 193,181,818 Shares as the number of Convertible Notes (and therefore, on conversion, Shares) issued to RIM will be reduced by the number of Convertible Notes issued to professional investors under the Underwriting Arrangement.

Purpose and consideration for each issue of Shares

9. The Company is obtaining funding by the issue of Convertible Notes for the purpose of paying out its existing secured banking facilities, to enable the evaluation of an impending New Zealand coal opportunity and to provide additional working capital for development.

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10. The issue price for any Shares issued on conversion of any Convertible Notes represents a 69% premium to the closing share price on 18 April 2016, being the trading day before announcement of the intention to proceed with this issue.

Consequences if Resolutions not approved

11. Should the Convertible Note Issue not be approved by Shareholders the Company will need to consider other funding sources to achieve the stated objectives of paying out the existing financiers and releasing the security held over those assets.

Takeovers Code

12. Resolution 1 seeks Shareholder approval under the Takeovers Code to the issue of up to 193,181,818 Shares to RIM on conversion (if any) of the Convertible Notes under the Convertible Note Agreement.
13. The Company is a code company that is subject to the New Zealand Takeovers Code because:
- (a) within the last 12 months it was a listed issuer that had financial products that conferred voting rights quoted on a licensed market (being NZX); and
 - (b) it has 50 or more shareholders and 50 or more share parcels.
14. Under Rule 6 of the Takeovers Code, a person who holds or controls:
- (a) no voting rights, or less than 20% of the voting rights, in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company unless, after the event, that person and the person's associates hold or control in total no more than 20% of the voting rights in the code company; or
 - (b) 20% or more of the voting rights in a code company may not become a holder or controller of an increased percentage of the voting rights in the code company.
15. There are a number of exceptions to this Rule. These include where a person becomes the holder or controller of voting rights in a code company by allotment of Shares that have been approved by an ordinary resolution pursuant to Rule 7(d) of the Takeovers Code.
16. RIM currently holds 192,112,714 ordinary Shares in the Company, comprising 19.92% of the voting rights in the Company. As a result of the proposed allotment of Convertible Notes to RIM, RIM will have the right to be issued a number of Shares if RIM elects to convert some or all of the Convertible Notes issued to it. The total percentage of the Company held by RIM after conversion of the notes and allotment of Shares will vary depending on the number of Convertible Notes issued to RIM and the number of those notes that are converted to Shares (if any).
17. The following table shows the possible range of allotments to RIM and the resulting shareholding it would receive in the Company if it was to exercise the right to convert the Convertible Notes to Shares.

	Potential shareholding in BRL
RIM convert 2,250 notes to ordinary shares & other investors convert 2,000 notes to ordinary shares	25.43%
RIM convert 2,250 notes to ordinary shares & other investors <u>do not</u> convert 2,000 notes to ordinary shares	27.60%
RIM convert 4,250 notes to ordinary shares	33.28%

18. Under the Takeovers Code, RIM may increase its percentage of the voting rights in the Company by the allotment of Shares referred to in the Resolutions if the allotment is approved by an ordinary resolution of Shareholders.

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19. If Shareholders approve Resolution 1 then they are approving the issue of the Shares to RIM under these Resolutions for the purposes of Rule 7(d) of the Takeovers.
20. There are restrictions on who can vote on the proposed Resolutions:
- (a) **Resolution 1:** The Company will disregard any votes cast on Resolution 1 by Republic Investment Management Pte Limited, a person who may participate in the proposed issue and any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if that Resolution is passed, and any associates of those persons.
 - (b) **Resolution 2:** The Company will disregard any votes cast on Resolution 2 by a person who may participate in the proposed issue and a person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed, and any associates of those persons.
21. The information required under Rule 16 of the Takeovers Code is set out in Appendix 2 to this notice of meeting.

Independent Adviser's Report

22. As required by Rule 18 of the Takeovers Code, the Company has commissioned an Independent Adviser's Report on the issues of Shares referred to in the Resolutions.
23. The Takeovers Code requires that, where shareholders are being asked to give their approval under Rule 7(d) of the Takeovers Code, the directors must obtain a report from an independent adviser on the merits of the proposed allotment, having regard to the interests of those persons who may vote to approve the allotment.
24. The Independent Adviser's key conclusions were:
- (a) the Convertible Notes issue and allotment of Shares upon conversion of any such Convertible Note are unlikely to have any material impact on:
 - (i) the Company's Share price in the near term;
 - (ii) the liquidity of the Company's Shares in the near term; or
 - (iii) the attraction of the Company as a takeover target.
 - (b) there are a number of positive and negative features associated with the Convertible Notes issue and Share allotment. When the non-associated Shareholders are evaluating the merits of the transaction, they need to carefully consider whether the negative aspects of the allotment, including the increased level of control that RIM will hold over the Company and the dilutionary impact, could justify voting against the proposed Resolutions with the outcome that the Company will be in a weaker financial position.
 - (c) after having regard to all relevant factors, the positive aspects of the Convertible Notes issue, and share allotment, outweigh the negative aspects from the perspective of the non-associated Shareholders.
25. The Independent Adviser's Report expanded on the positive and negative aspects and summarised them in paragraph 2.2. The Report summarised the positive aspects of the Convertible Notes issue and Share allotment as follows:
- (a) the rationale for the Convertible Notes issue is sound. It will raise A\$4.25 million of capital for the Company, enabling it to refinance its existing bank facilities, free up its security position, enable the evaluation of an impending New Zealand coal acquisition opportunity and provide additional working capital for development;
 - (b) the structure of the Convertible Notes issue is reasonable:
 - (i) the size is sufficient to significantly improve the Company's financial position;

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- (ii) the conversion price of \$0.022 per ordinary Share is at a significant premium to the Company's current market price;
 - (iii) the 8.0% per annum coupon is lower than the likely market interest rate for an unsecured bond issued by a company with similar characteristics to the Company.
- (c) the Independent Adviser assessed the value of each A\$1,000 Convertible Note to be in the range of A\$924 to A\$1,150. Accordingly, the Independent Adviser considered the Convertible Notes issue to be fair, from a financial point of view, to those non-associated Shareholders who will not subscribe for any Convertible Notes;
 - (d) the Underwriting Arrangements provide the Company with the certainty that the Convertible Notes issue will raise A\$4.25 million (before costs);
 - (e) the Convertible Notes issue and Share allotment will have a positive impact on the Company's financial position;
 - (f) the implications of the proposed Resolutions not being approved by the non-associated Shareholders are significant. The Company's working capital position will not be strengthened and the Company will not be in a position to fully fund the acquisition opportunity.
26. The Report summarised the negative aspects of the Convertible Notes issue and Share allotment as follows:
- (a) RIM's level of voting rights will range from 25.43% to 33.28% following the Share allotment, depending on the number of Convertible Notes that RIM subscribes for and the number of Convertible Notes that are converted into ordinary Shares;
 - (b) the Share allotment will result in RIM increasing its ability to influence the outcome of Shareholder voting as it will be able to singlehandedly block special resolutions; and
 - (c) the dilutionary impact of the Convertible Notes issue and the Share allotment on the non-associated Shareholders will result in their current collective interests in the Company reducing by between 10% and 17%.

ASX Listing Rule Approvals

27. Resolution 1 and Resolution 2 seek Shareholder approval under the Listing Rule 7.1 for the issue of:
- (a) up to 4,250 Convertible Notes to RIM under the RIM Convertible Note Agreement which, on conversion (if any), would convert to up to 193,181,818 Shares; and
 - (b) up to 2,000 Convertible Notes to professional investors which, on conversion (if any), would convert to up to 90,090,091 Shares.
- However, Resolutions 1 and 2 are not cumulative and the maximum number of Shares that will be issued on conversion of the Convertible Notes will be 193,181,818.
28. Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.
29. The effect of Resolution 1 and Resolution 2 will be to allow the Company to issue up to 193,181,818 Shares to RIM and/or to other subscribers of Convertible Notes, without using the Company's 15% annual placement capacity.
30. Under Listing Rule 7.2 exemption 4, approval is not required for an issue of Shares on the conversion of the Convertible Notes as the Company will have complied with the Listing Rules when it issued the Convertible Notes.

31. In accordance with Listing Rule 7.3, the following information is provided in relation to the issue of Shares to RIM or other subscribers under Resolution 1 and Resolution 2:

- (a) the maximum number of Convertible Notes to be issued is 4,250 which, if converted, may result in the issue of up to 193,181,818 Shares;
- (b) the Convertible Notes will be issued no later than 30 days after the date of the meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (c) the Convertible Notes will be issued for AUD \$1,000 each;
- (d) the Shares to be issued on conversion of the Convertible Note will be issued to RIM, who is not a related party of the Company (but RIM is a substantial security holder), and to selected professional investors that are also not related parties of the Company;
- (e) the terms of the Convertible Notes are set out in Appendix 4;
- (f) the intended use of the funds is explained in paragraph 9;
- (g) the issue date will be the date on which subscription moneys are received, which must be within 3 business days of the date of the Special Meeting; and
- (h) the voting exclusion statement is set out in paragraph 20.

Excluded Shareholders

32. Neither RIM, nor any of their associated persons, are entitled to vote or exercise discretionary proxies in respect of the Resolutions, in accordance with the restrictions set out in paragraph 20.

Lock-up arrangements

33. Holders of the Convertible Notes are restricted from transferring the notes until 90 days following the issue date. Thereafter the notes are freely transferable (subject to any restrictions on doing so that are specific under laws that are applicable to the transferor and transferee at that time).

Board recommendation

34. The directors of the Company unanimously recommend that Shareholders vote in favour of the Resolutions set out in this notice of meeting.

APPENDIX 1 – GLOSSARY

In this Explanatory Statement, the following terms have the following unless the context otherwise requires:

ASX	ASX Limited.
Board	board of Directors.
Chairman	chairman of the General Meeting.
Company	Bathurst Resources Limited NZCN 4382538.
Director	director of the Company.
Equity Securities	has the meaning given to that term in the Listing Rules.
Explanatory Statement	the explanatory statement that accompanies this Notice of General Meeting.
Listing Rules	listing rules of the ASX.
Meeting or General Meeting	the General Meeting convened by this Notice of General Meeting.
Notice of General Meeting or Notice of Meeting	this notice of General Meeting.
NZST	New Zealand Standard time
Proxy Form	the proxy form enclosed with this Notice of General Meeting.
Resolution	any of the resolutions that are the subject of the Notice of Meeting.
Share	fully paid ordinary share in the capital of the Company.
Shareholder	holder of a Share in the Company.

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APPENDIX 2 – INFORMATION REQUIRED BY RULE 16 OF THE TAKEOVERS CODE

Pursuant to Rule 16 of the Takeovers Code (with the sub-paragraphs below corresponding to the sub-paragraphs in Rule 16), the Company advises as follows (in relation to the allotment of Shares to RIM on conversion of the Convertible Notes):

- (a) RIM is the proposed allottee of Shares;
- (b) the particulars of the voting securities to be allotted are as set out in Appendix 3;
- (c) not applicable (as the voting securities to be allotted are not securities of a body corporate other than the Company);
- (d) the issue price for the voting securities to be allotted and when it is payable is set out in paragraph 1 of Appendix 4 of the Explanatory Notes of this notice of meeting;
- (e) the reason for the allotments is to raise funds for the purpose of paying out the Company's existing secured banking facilities, to enable the evaluation of an impending New Zealand coal opportunity and to provide additional working capital for development;
- (f) the allotments under the Resolutions, if approved, will be permitted under Rule 7(d) of the Takeovers Code as an exception to Rule 6 of the Takeovers Code;
- (g) RIM has confirmed that there is no agreement or arrangement (whether legally enforceable or not) that has been or is intended to be, entered into between RIM and any other person (other than between RIM and the Company in terms of the issue of the Shares) relating to the allotments, holding, or control of the Shares to be allotted, or to the exercise of voting rights in the Company;
- (h) attached to this notice is a report from an independent adviser that complies with Rule 18 of the Takeovers Code;
- (i) the directors of the Company make the following statement for the purposes of Rule 19 of the Takeovers Code:

The directors of the Company recommend that the Shareholders approve the proposed allotment of Shares to RIM on the conversion (if any) of the Convertible Notes issued to RIM under the Convertible Notes Agreement. The grounds for this recommendation is that these allotments should significantly strengthen the Company's financial position and raise capital for the reasons set out in (e) above.

APPENDIX 3 – PARTICULARS OF VOTING SECURITIES TO BE ALLOTTED

Note: The particulars below are based on an assumption that (i) RIM takes up 4,250 Convertible Notes and does not sell any of those notes prior to the date of conversion; and (ii) RIM elects to convert all Convertible Notes allotted to it to Shares. See further assumptions at (g) below.

(a)	The maximum number of voting securities that could be allotted (the approved maximum number) to RIM	193,181,818
(b)	the percentage of the aggregate of all existing voting securities and all voting securities that could be allotted that the approved maximum number represents	16.69%
(c)	the maximum percentage of all voting securities that could be held or controlled by RIM after completion of the allotments	33.28%
(d)	the maximum aggregate of the percentages of all voting securities that could be held or controlled by RIM and its associates after completion of the allotments (not including voting securities of any of RIM's associates who are also relying on rule 7(d) in relation to the allotments (the relying associates)*)	33.28%
(e)	if there are relying associates, the maximum aggregate of the percentages of all voting securities that could be held or controlled by RIM and its associates after completion of the allotments	N/A
(f)	the date used to determine the information referred to in this Appendix (the calculation date)	26 April 2016
(g)	the assumptions on which the particulars in paragraphs (a) to (f) are calculated	<p>The above particulars are calculated on the assumptions that:</p> <ul style="list-style-type: none"> i. the number of voting securities is the number of voting securities on issue on the calculation date (being 964,482,755) ii. there is no change in the total number of voting securities on issue between the calculation date and the end of the allotment period (other than as a result of the allotment or allotments) iii. in relation to particulars (a) to (c): <ul style="list-style-type: none"> o RIM subscribe for the maximum number of Convertible Notes authorised by Resolution 1 (4,250) o RIM elects to convert all Convertible Notes issued to it iv. in relation to particular (d), RIM and each of RIM's associates (not including the relying associates): <ul style="list-style-type: none"> o subscribe for the maximum number of Convertible Notes authorised by Resolution 1 (4,250) o elect to convert all Convertible Notes issued to them

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APPENDIX 4 – TERMS OF ISSUE OF CONVERTIBLE NOTES TO RIM

On 18 April 2016 the Company entered into Convertible Note Subscription Agreement with Republic Investment Management Pte Limited (**RIM**), conditional on receiving Shareholder approval. The key terms of the Agreement are set out below:

1. Each Convertible Note has a face value and issue price of AUD1,000;
2. Interest is payable 6 monthly at 8% per annum;
3. Notes may be converted to ordinary Shares at a pre-set issue price of AUD 2.2 cents per share. (This rate was set when the proposed issue was first announced publicly and then represented a 69% premium % premium to the closing share price on 18 April 2016, being the trading day before announcement of the intention to proceed with this issue).
4. Convertible Notes are freely transferable after 90 days from the Issue Date.
5. A conversion notice can be given in respect of any Convertible Note during the period of 90 days from the Issue Date up to 10 days prior to the Maturity Date (which is 3 years from the Issue Date).
6. On conversion, any outstanding interest is paid in cash. In addition, the noteholders are also paid an amount equal to any dividend that they would have been entitled to receive if the notes had been converted to ordinary Shares after the Issue Date but prior to the date that the distribution was paid.
7. If not converted, the Company must redeem the Convertible notes on the Maturity Date. Earlier redemption must occur in certain circumstances:
 - (a) if the Company's ordinary Shares cease to be listed on ASX or are suspended for more than 30 consecutive trading days;
 - (b) if control of the company changes; or
 - (c) if an event of default occurs.
8. If there is a reorganisation of the Company's capital, an equivalent adjustment to the conversion rights for each note will also apply.
9. Any Shares issued on conversion of the Convertible Notes will rank equally with all other ordinary Shares then on issue (subject to the one-off right for noteholders to be paid an amount equal to prior dividends as noted in paragraph 6 above).

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Bathurst Resources Limited

Independent Adviser's Report

In Respect of the Proposed Allotment of Shares to Republic Investment Management Pte Limited

May 2016

Statement of Independence

Simmons Corporate Finance Limited confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report
- has no direct or indirect pecuniary or other interest in the proposed transactions considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Simmons Corporate Finance Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Takeovers Panel, that it is independent under the Takeovers Code for the purposes of preparing this Independent Adviser's Report.

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1. Introduction

1.1 Background

Bathurst Resources Limited (**Bathurst** or the **Company**) engages in the exploration and development of coal mining assets and the production of coal in New Zealand.

The Company was incorporated in New Zealand and its shares are listed on the Australian Securities Exchange (the **ASX**).

Bathurst's market capitalisation as at 31 May 2016 was A\$12.5 million (NZ\$13.5 million at the current exchange rate of NZ\$1 = A\$0.93) and its unaudited total equity was NZ\$19.2 million as at 31 December 2015.

A profile of the Company is set out in section 3.

1.2 CN Issue

Bathurst announced on 19 April 2016 that it is seeking to raise A\$4.25 million (NZ\$4.57 million at NZ\$1 = A\$0.93) through the issue of unsecured convertible notes (the **CN Issue**).

The key terms of the convertible notes are:

- 4,250 convertible notes will be issued at a face value of A\$1,000 per convertible note
- the convertible notes will be unsecured
- the convertible notes will mature 3 years from their issue date, at which point the noteholders may elect to either:
 - be repaid the principal amount of A\$1,000 per convertible note or
 - convert the convertible notes into ordinary shares at a conversion price of A\$0.022 per share (the **Conversion Price**). On conversion this price may be adjusted to reflect a subsequent subdivision or consolidation of shares, rights offers, equity issuances, change of control etc
- the convertible notes will carry a coupon of 8.0% per annum, payable semi annually
- a noteholder can choose to convert the principal amount into ordinary shares at any time between the date that is 90 days after the issue date of the convertible notes and 10 days before the maturity date. On conversion, any unpaid interest accrued will be paid out to the noteholder
- at the maturity date (assuming conversion has not occurred) the convertible notes will be redeemed
- the Company is required to redeem the convertible notes if:
 - Bathurst is delisted from the ASX
 - a change of control of the Company takes place
 - the Company defaults under its obligations.

The CN Issue is conditional upon Bathurst receiving shareholder approval of the issue of ordinary shares in the Company on the conversion (if any) of the convertible notes.

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1.3 Republic Investment Management Pte Limited

Overview

Republic Investment Management Pte Limited (**RIM**) is Bathurst's largest shareholder, holding 192,112,714 ordinary shares. This represents 19.92% of the Company's ordinary shares currently on issue.

RIM is a registered investment advisory firm located in Singapore. It has been registered with the Monetary Authority of Singapore as an exempt fund management company since 2004. RIM engages in global investing encompassing all asset classes, including equities, bonds, currencies, precious metals, commodities and alternative investments. It focuses primarily on private wealth management and manages Asian and commodities-related absolute return portfolios. It manages assets for its associate Maybank Kim Eng Holdings Limited, which is a wholly owned subsidiary of the Maybank Group, Malaysia's largest financial services group and a leading banking group in South East Asia.

Convertible Note Subscription Agreement

RIM entered into a Convertible Note Subscription Agreement with Bathurst dated 18 April 2016 (the **CN Agreement**) whereby RIM has agreed to subscribe for all 4,250 convertible notes but has the right to allocate up to 2,000 convertible notes to other wholesale / professional investors.

In effect, RIM has committed to subscribe for not less than A\$2.25 million of the convertible notes and to underwrite the balance of A\$2.0 million so that the CN Issue will be fully subscribed (the **Underwriting Arrangements**). RIM will be paid an underwriting fee of 2.5% on the full amount of A\$4.25 million being raised under the CN Issue.

1.4 Impact on Shareholding Levels

The convertible notes can be converted into ordinary shares at the election of the noteholders at the Conversion Price of A\$0.022 per share. Accordingly, if all 4,250 convertible notes are converted, Bathurst will issue 193,181,818 new ordinary shares.

We refer to the allotment of shares to RIM upon RIM converting any convertible notes that it holds as the **RIM Allotment** and the allotment of shares to other noteholders upon them converting any convertible notes as the **Other Allotments**. We refer to the RIM Allotment and the Other Allotments collectively as the **CN Allotments**.

Following the CN Issue and the CN Allotments and assuming no other shares are issued:

- RIM will hold between 25.43% and 33.28% of the Company's ordinary shares on issue
- the Non-associated Shareholders (including noteholders other than RIM) will collectively hold between 66.72% and 74.57%.

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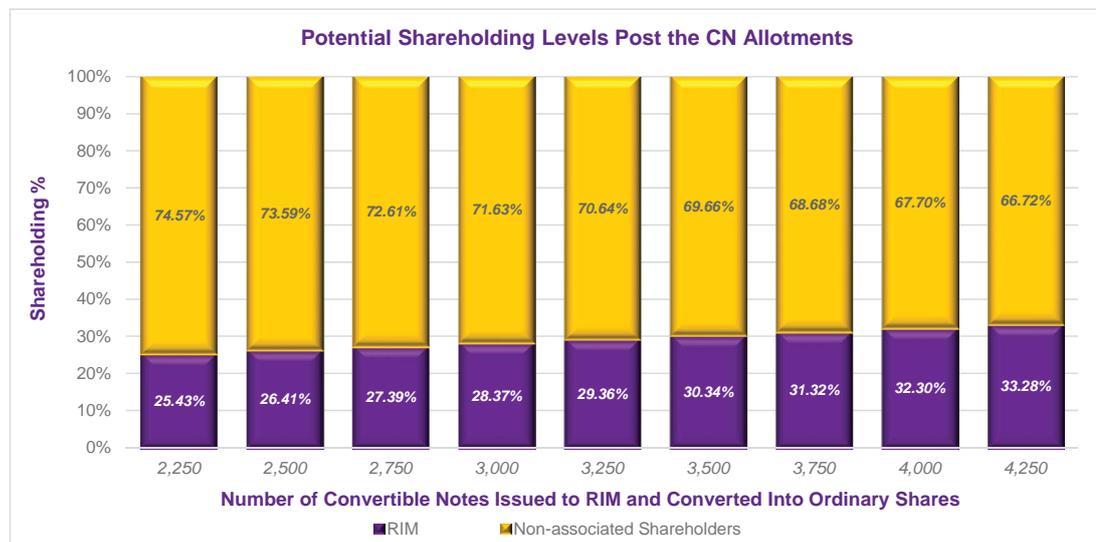
Impact on Shareholding Levels					
	RIM		Non-associated Shareholders		Total No. of Shares
	No. of Shares	%	No. of Shares	%	
Current	192,112,714	19.92%	772,370,041	80.08%	964,482,755
CN Allotments	102,272,727 ¹	52.94%	90,909,091 ¹	47.06%	193,181,818
Post the CN Allotments	<u>294,385,441</u>	<u>25.43%</u>	<u>863,279,132</u>	<u>74.57%</u>	<u>1,157,664,573</u>
Current	192,112,714	19.92%	772,370,041	80.08%	964,482,755
CN Allotments	193,181,818 ²	100.00%	- ²	-%	193,181,818
Post the CN Allotments	<u>385,294,532</u>	<u>33.28%</u>	<u>772,370,041</u>	<u>66.72%</u>	<u>1,157,664,573</u>

1 Assumes RIM subscribes for 2,250 convertible notes, other noteholders subscribe for 2,000 convertible notes and all 4,250 convertible notes are converted into ordinary shares
2 Assumes RIM subscribes for all 4,250 convertible notes and all 4,250 convertible notes are converted into ordinary shares

The low end of the range of RIM's potential shareholding levels of 25.43% is based on RIM subscribing for 2,250 convertible notes and all 4,250 convertible notes are converted into ordinary shares.

The high end of the range of RIM's potential shareholding levels of 33.28% is based on RIM subscribing for all 4,250 convertible notes and these are all converted into ordinary shares.

The graph below shows the range of shareholding levels for RIM and the Non-associated Shareholders, depending on the number of convertible notes that RIM subscribes for and subsequently converts into ordinary shares.



1.5 Special Meeting

Bathurst is holding a special meeting of shareholders on 23 June 2016, where the Company will seek shareholder approval of 2 resolutions which cover:

- the RIM Allotment (resolution 1 – the **RIM Allotment Resolution**)
- the Other Allotments (resolution 2 – the **Other Allotments Resolution**).

Both resolutions are ordinary resolutions (which are passed by a simple majority of the votes cast). The Other Allotments Resolution is conditional upon the RIM Allotment Resolution being approved.

1.6 Regulatory Requirements

As Bathurst is incorporated in New Zealand and has 50 or more shareholders, it is deemed to be a code company under the Takeovers Code (the **Code**).

Rule 6 of the Code prohibits:

- a person who holds or controls less than 20% of the voting rights in a code company from increasing its holding or control of voting rights beyond 20%
- a person holding or controlling 20% or more of the voting rights in a code company from increasing its holding or control of voting rights

unless the person and that person's associates comply with exceptions to this fundamental rule.

One of the exceptions, set out in Rule 7(d) of the Code, enables a person and its associates to increase their holding or control of voting rights by an allotment of shares if the allotment is approved by an ordinary resolution of the code company.

The RIM Allotment will result in RIM holding or controlling between 25.43% and 33.28% of the voting rights in Bathurst.

Accordingly, in accordance with the Code, the Non-associated Shareholders will vote at the Company's special meeting on an ordinary resolution in respect of the RIM Allotment (the RIM Allotment Resolution).

RIM and any of its associates are not permitted to vote on the RIM Allotment Resolution.

Rule 18 of the Code requires the directors of a code company to obtain an Independent Adviser's Report on the merits of an allotment under Rule 7(d).

This Independent Adviser's Report is to be included in, or accompany, the notice of meeting pursuant to Rule 16(h).

1.7 Purpose of the Report

The Company's board of directors (the **Board**) has engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Independent Adviser's Report on the merits of the acquisition of shares under the RIM Allotment in accordance with Rule 18 of the Code.

Simmons Corporate Finance was approved by the Takeovers Panel on 20 April 2016 to prepare the Independent Adviser's Report.

Simmons Corporate Finance issues this Independent Adviser's Report to the Board for the benefit of the Non-associated Shareholders to assist them in forming their own opinion on whether to vote for or against the RIM Allotment Resolution.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits of the RIM Allotment in relation to each shareholder. This report on the merits of the RIM Allotment is therefore necessarily general in nature.

The Independent Adviser's Report is not to be used for any other purpose without our prior written consent.

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1.8 Currency References

Current references in this report are to:

- A\$ - Australian dollars
- NZ\$ - New Zealand dollars.

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2. Evaluation of the Merits of the RIM Allotment

2.1 Basis of Evaluation

Rule 18 of the Code requires an evaluation of the merits of the allotment of shares to RIM under the RIM Allotment having regard to the interests of the Non-associated Shareholders.

There is no legal definition of the term *merits* in New Zealand in either the Code or in any statute dealing with securities or commercial law.

In the absence of an explicit definition of *merits*, guidance can be taken from:

- the Takeovers Panel *Guidance Note on Independent Advisers and the Takeovers Code* dated 7 September 2015
- definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction
- overseas precedents
- the ordinary meaning of the term *merits*.

The RIM Allotment arises from the CN Issue. Therefore when assessing the merits of the RIM Allotment, an assessment of the merits of the CN Issue also needs to be undertaken.

We are of the view that an assessment of the merits of the allotment of shares to RIM under the RIM Allotment should focus on:

- the requirements for the CN Issue
- the prospects for Bathurst without the CN Issue
- the structure of the CN Issue
- the impact of the CN Issue and the RIM Allotment on Bathurst's financial position
- the impact of the CN Issue and the RIM Allotment on the control of Bathurst
- the impact of the CN Issue and the RIM Allotment on Bathurst's share price
- the benefits and disadvantages to RIM of the CN Issue and the RIM Allotment
- other benefits and disadvantages to the Non-associated Shareholders of the CN Issue and the RIM Allotment
- the implications if the RIM Allotment Resolution is not approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

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2.2 Summary of the Evaluation of the Merits of the RIM Allotment

Our evaluation of the merits of the RIM Allotment is set out in detail in sections 2.3 to 2.13.

In summary, the positive aspects of the CN Issue and the RIM Allotment are:

- the rationale for the CN Issue is sound. It will raise A\$4.25 million of capital for Bathurst, enabling it to refinance its existing bank facilities, free up its security position, enable the evaluation of an impending New Zealand coal acquisition opportunity and provide additional working capital for development
- the structure of the CN Issue is reasonable:
 - the size is sufficient to significantly improve the Company's financial position
 - the Conversion Price of \$0.022 per ordinary share is at a significant premium to Bathurst's current market price
 - the 8.0% per annum coupon is lower than the likely market interest rate for an unsecured bond issued by a company with similar characteristics to Bathurst
- we assess the value of each A\$1,000 convertible note to be in the range of A\$924 to A\$1,150. Accordingly, we consider the CN Issue to be fair, from a financial point of view, to those Non-associated Shareholders who will not subscribe for any convertible notes
- the Underwriting Arrangements provide Bathurst with the certainty that the CN Issue will raise A\$4.25 million (before costs)
- the CN Issue and the RIM Allotment will have a positive impact on the Company's financial position
- the implications of the RIM Allotment Resolution not being approved by the Non-associated Shareholders are significant. The Company's working capital position will not be strengthened and Bathurst will not be in a position to fully fund the acquisition opportunity.

In summary, the negative aspects of the CN Issue and the RIM Allotment are:

- RIM's level of voting rights will range from 25.43% to 33.28% following the RIM Allotment, depending on the number of convertible notes that RIM subscribes for and the number of convertible notes that are converted into ordinary shares
- the RIM Allotment will result in RIM increasing its ability to influence the outcome of shareholder voting as it will be able to singlehandedly block special resolutions
- the dilutionary impact of the CN Issue and the RIM Allotment on the Non-associated Shareholders will result in their current collective interests in the Company reducing by between 10% and 17%.

In our view, the CN Issue and the RIM Allotment are unlikely to have any material impact on:

- the Company's share price in the near term
- the liquidity of the Company's shares in the near term
- the attraction of Bathurst as a takeover target.

There are a number of positive and negative features associated with the CN Issue and the RIM Allotment. In our view, when the Non-associated Shareholders are evaluating the merits of the transaction, they need to carefully consider whether the negative aspects of the RIM Allotment, including the increased level of control that RIM will hold over Bathurst and the dilutionary impact, could justify voting against the RIM Allotment Resolution with the outcome that the Company will be in a weaker financial position.

In our opinion, after having regard to all relevant factors, the positive aspects of the CN Issue and the RIM Allotment outweigh the negative aspects from the perspective of the Non-associated Shareholders.

2.3 The Requirement for the CN Issue

The purpose of the CN Issue is to raise funds to enable Bathurst to repay its outstanding facilities with Westpac New Zealand Limited (**Westpac**) and free up the security position of the Company's domestic business. This will also extend the maturity of the Company's debt principal payments to 3 years and improve the working capital position of the Company.

The funds from the CN Issue are proposed to be utilised as follows:

- repay the Westpac facilities and free up the Company's security position – NZ\$2.6 million
- due diligence costs in respect of the impending sale process of a major New Zealand coal producer – NZ\$0.8 million
- development and other expenditure – NZ\$1.3 million.

2.4 The Prospects for Bathurst Without the CN Issue

The carrying value of Bathurst's equity was NZ\$19.2 million as at 31 December 2015. It had NZ\$3.0 million of cash and cash equivalents, NZ\$2.6 million of short term deposits and NZ\$4.6 million of borrowings at that date.

In the event the CN Issue does not proceed, Bathurst will continue to be exposed to at-call loan facilities from Westpac. Whilst the Company is not aware of any intention to do so, Westpac could call the current and term borrowings and Bathurst would not be in a position to fund this through existing cash reserves. Bathurst is in a position to pay down the current portion of the funding through operational cash flow. However the absence of the proceeds from the CN Issue would result in a weaker working capital position due to the current repayment profile compared with the longer maturity of the convertible notes.

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Furthermore, in the absence of the CN Issue, Bathurst would not be in a position to fully fund a potential due diligence exercise on a major New Zealand coal producer acquisition opportunity. The Company therefore risks missing out on an opportunity which could be value accretive to shareholders.

2.5 Structure of the CN Issue

Size of the CN Issue

The A\$4.25 million of capital to be raised under the CN Issue (before costs) was based on the Board's estimate of the level of capital required to repay the Westpac facilities and fund the Company's working capital requirements.

Key Terms

The key terms of the CN Issue are set out in section 1.2 and include:

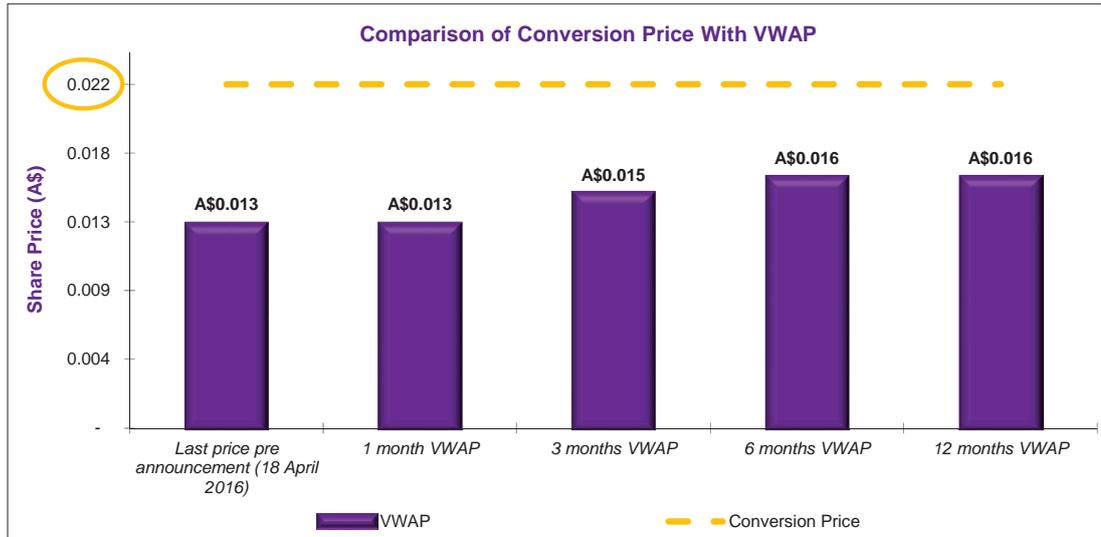
- 4,250 convertible notes will be issued at a face value of A\$1,000 per convertible note
- the convertible notes will mature 3 years from their issue date, at which point the noteholders may elect to either redeem the convertible notes or convert the convertible notes into ordinary shares at the Conversion Price of A\$0.022 per share
- the convertible notes will carry a coupon of 8.0% per annum, payable semi annually
- a noteholder can choose to convert the principal amount into ordinary shares at any time between the date that is 90 days after the issue date of the convertible notes and 10 days before the maturity date at the Conversion Price
- RIM will subscribe for not less than 2,250 convertible notes (totalling A\$2.25 million) and will underwrite the balance of 2,000 convertible notes (totalling A\$2.0 million) so as to ensure that the CN Issue will be fully subscribed.

Conversion Price

We consider the Conversion Price of A\$0.022 per share to be favourable to the Non-associated Shareholders as it represents a significant premium to Bathurst's current share price. It represents a premium of:

- 69% over the share price on the day before the announcement of the CN Issue on 19 April 2016 of A\$0.013
- 69% over the one month volume weighted average share price (**VWAP**) up to 18 April 2016 of A\$0.013
- 47% over the 3 months VWAP up to 18 April 2016 of A\$0.015
- 38% over the 6 months and 1 year VWAP up to 18 April 2016 of A\$0.016.

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Coupon

We consider the 8.0% coupon to be favourable to the Non-associated Shareholders as it is lower than the likely market interest rate for an unsecured bond issued by a company with similar characteristics to Bathurst. We estimate that a company with a similar financial position to Bathurst issuing an unsecured bond would likely have to offer a coupon in the vicinity of 10% to 12%.

The 8.0% coupon on the convertible notes results in Bathurst paying a lower level of interest on its unsecured borrowings than otherwise may be the case.

Valuation

We assess the value of each A\$1,000 convertible note to be in the range of A\$924 to A\$1,150. Our valuation assessment is set out in section 4.

Based on this, we consider the CN Issue to be fair, from a financial point of view, to those Non-associated Shareholders who will not subscribe for any convertible notes.

Underwriting Arrangements

RIM will be paid an underwriting fee of A\$106,250, representing 2.5% of the A\$4.25 million underwritten by RIM.

The payment of underwriting fees to an underwriter is a normal part of a capital raising exercise such as the CN Issue. The actual fee percentage varies and generally is a function of the discount of the rights price, the size of the issue and the assessment of the risk that the underwriter is assuming (ie the probability that the underwriter will be called upon to purchase any shortfall in subscriptions).

Underwriting fees in New Zealand tend to be in the range of 1.5% to 5.0%. The 2.5% underwriting fee is below the midpoint of the range.

We consider the Underwriting Arrangements to be reasonable as they provide certainty to Bathurst that the CN Issue will raise A\$4.25 million and the underwriting fee is towards the lower end of the range of underwriting fees generally paid.

2.6 Impact on Financial Position

A summary of Bathurst's recent financial position is set out in section 3.7.

Bathurst's total equity as at 31 December 2015 was NZ\$19.2 million (NZ\$0.020 per share).

The CN Issue will raise A\$4.25 million, less costs of NZ\$0.2 million. This equates to a net amount of NZ\$4.38 million (based on NZ\$1 = A\$0.93).

For illustrative purposes, if the proceeds from the CN Issue were to have been received at 31 December 2015 and the convertible notes were all converted to ordinary shares, Bathurst's total equity would increase by 23% to NZ\$23.5 million and equity per share would increase by 2% to NZ\$0.020 per share.

Illustrative Effect of the CN Issue on Bathurst's Financial Position			
	Equity (NZ\$000)	No. of Shares (000)	Equity / Share (NZ\$)
Total equity as at 31 December 2015	19,167	964,483	0.0199
CN Issue and CN Allotments	4,570 ¹	193,182	0.0237 ¹
Costs	(190)	-	(0.0010)
Post the CN Issue and CN Allotments	<u>23,547</u>	<u>1,157,665</u>	<u>0.0203</u>

¹ At NZ\$1 = A\$0.93

The above analysis is illustrative only as:

- the convertible notes may be treated as debt for accounting purposes rather than equity when they are issued
- there is no certainty that any or all of the convertible notes will be converted into ordinary shares.

2.7 Impact on Control

Share Capital and Shareholders

Bathurst currently has 964,482,755 fully paid ordinary shares on issue held by 4,150 shareholders. The names, number of shares and percentage holding of the Company's 10 largest shareholders as at 20 May 2016 are set out in section 3.4.

Bathurst currently has 2 shareholders holding more than 5% of its shares:

- RIM – 19.92%
- Asian Dragon Acquisitions Limited (**ADAL**) – 6.74%, a private Singapore fund that invests in a wide range of industries / sectors.

The 2 shareholders collectively hold 26.66% of the ordinary shares in the Company at present.

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Shareholding Levels

Following the CN Issue and the RIM Allotment:

- RIM will hold between 25.43% and 33.28% of the Company's shares
- the Non-associated Shareholders (including the noteholders other than RIM) will collectively hold between 66.72% and 74.57%.

The actual shareholding levels will depend on how many convertible notes are subscribed for by RIM and how many convertible notes are converted into ordinary shares.

Shareholding Voting

RIM's current level of voting rights of 19.92% does not enable it to pass or block special resolutions (which require the approval of 75% of the votes cast by shareholders) or to pass or block ordinary resolutions (which require the approval of more than 50% of the votes cast by shareholders).

Following the CN Issue and the RIM Allotment, RIM's ability to influence the outcome of shareholder voting will increase to some degree.

By holding between 25.43% and 33.28% of the Company's shares, RIM will be able to singlehandedly block a special resolution. However, RIM will still not be able to singlehandedly determine the outcome of ordinary resolutions or pass special resolutions.

The ability for any shareholder to influence the outcome of voting on the Company's ordinary resolutions or special resolutions may be reduced by external factors such as the Company's constitution, the Code, the ASX Listing Rules and the Companies Act 1993.

Given the above, we are of the view that the CN Issue and the RIM Allotment will increase RIM's ability to exert shareholder control over Bathurst to some degree.

Board Control

As set out in section 3.3, the Company currently has 4 directors, none of whom are deemed to be associates of RIM.

We are advised by the Board that at this point in time, no agreement has been made with RIM as to future Board representation following the CN Issue and the RIM Allotment.

Operations

We are advised by the Board that RIM currently does not have any influence over the Company's operations and this is not expected to change following the CN Issue and the RIM Allotment.

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2.8 Dilutionary Impact

The CN Issue will result in the Non-associated Shareholders' shareholdings in the Company being diluted if any convertible notes are converted into ordinary shares:

- if only the minimum 2,250 convertible notes held by RIM are converted, the dilutionary impact on Non-associated Shareholders will be 10%
- if all 4,250 convertible notes are converted, the dilutionary impact on Non-associated Shareholders who do not subscribe for any convertible notes will be 17%.

While the potential dilutionary impact is relatively significant, we are of the view that the Non-associated Shareholders' main focus should be on whether there is any dilutionary impact on the value of their respective shareholdings rather than on their level of voting rights. As stated in section 2.5, we are of the view that the CN Issue is fair to the Non-associated Shareholders from a financial point of view and therefore does not dilute the value of their respective shareholdings.

2.9 Impact on Share Price and Liquidity

A summary of Bathurst's daily closing share price and monthly volume of shares traded from 2 January 2013 is set out in section 3.9.

In the year up to the day before the announcement of the CN Issue on 19 April 2016, 24.1% of the Company's shares traded at a VWAP of A\$0.016. The closing share price on 18 April 2016 was A\$0.013.

Following the announcement of the RIM Allotment, 54,045,913 shares (5.6%) have traded on the ASX up to 31 May 2016 at a VWAP of A\$0.014.

No Negative Impact on Share Price

As the Conversion Price of A\$0.022 is at a significant premium to Bathurst's share price prior to the announcement of the CN Issue, we are of the view that the CN Issue and the RIM Allotment will not have a negative impact on the Company's share price.

Instead, the announcement of the CN Issue has seen an improvement in Bathurst's share price, with the post-announcement VWAP to 31 May 2016 being 8% above the one month pre-announcement VWAP.

Liquidity of Bathurst Shares Unlikely to Change

We are of the view that the CN Issue and the RIM Allotment are unlikely to have any significant impact on the liquidity of the Company's shares:

- the convertible notes will not necessarily be converted into ordinary shares, and if they are converted, may not be converted for up to 3 years from their issue
- the size of the pool of shares held by the Non-associated Shareholders will not change under the RIM Allotment.

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2.10 Key Benefit to RIM

The CN Issue and the RIM Allotment provide RIM with the opportunity to increase its shareholding in Bathurst from 19.92% to between 25.43% and 33.28%, depending on the number of convertible notes that it subscribes for and subsequently converts into ordinary shares.

2.11 Disadvantages to RIM

Exposure to the Risks of Bathurst

The key issues and risks that are likely to impact upon the business operations of Bathurst are summarised in section 3.5. As RIM's shareholding level in Bathurst increases, so does its exposure to these issues and risks.

Further Financial Commitments

The current market value of RIM's shareholding was A\$2.5 million as at 31 May 2016.

RIM will be required to invest between A\$2.25 million and A\$4.25 million under the CN Issue. This will increase RIM's level of investment in Bathurst by between 90% and 170%.

2.12 Other Issues

Benefits to Bathurst of RIM as a Cornerstone Shareholder

The major benefit to Bathurst of the CN Issue is that the Company is certain to obtain A\$4.25 million of funds (before costs) due to the Underwriting Arrangements.

The CN Issue and the RIM Allotment will enhance RIM's position as an important cornerstone strategic investor in the Company and further signals its confidence in the future prospects of Bathurst.

Non-associated Shareholders Approval is Required

Pursuant to Rule 7(d) of the Code, the Non-associated Shareholders must approve by ordinary resolution the RIM Allotment. They must also approve by ordinary resolution the Other Allotments.

The CN Issue and the RIM Allotment will not proceed unless the Non-associated Shareholders approve the RIM Allotment Resolution.

Attraction of Bathurst as a Takeover Target is Unlikely to Change

Following the CN Issue and the RIM Allotment, RIM will not be able to increase the level of its shareholding unless it complies with the provisions of the Code. It will only be able to acquire more shares in the Company if:

- it makes a full or partial takeover offer
- the acquisition is approved by way of an ordinary resolution of the Non-associated Shareholders
- the Company makes an allotment of shares which is approved by way of an ordinary resolution of the Non-associated Shareholders
- the Company undertakes a share buyback that is approved by the Company's shareholders and RIM does not accept the offer of the buyback.

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RIM will not be able to utilise the *creep* provisions of Rule 7(e) of the Code. The *creep* provisions enable entities that hold more than 50% but less than 90% of the voting securities in a code company to buy up to a further 5% of the code company's shares per annum.

We are of the view that an increase in RIM's shareholding from 19.92% to between 25.43% and 33.28% will not reduce the likelihood (if any) of a takeover offer for the Company from RIM as the increase in RIM's shareholding level does not significantly change its control over Bathurst.

We are also of the view that RIM's increased shareholding is unlikely to reduce the attraction of Bathurst as a takeover target to other parties, as any bidder looking to fully or partially take over the Company would need to ensure that RIM would accept its offer, irrespective of whether it held 19.92% or between 25.43% and 33.28% of the Company's shares.

2.13 Implications of the RIM Allotment Resolution not Being Approved

If the RIM Allotment Resolution is not approved, then the CN Issue cannot proceed as the CN Issue is conditional on the approval of the RIM Allotment Resolution. The implications of the CN Issue not proceeding are discussed in section 2.4.

Bathurst may seek to renegotiate the terms of the CN Issue with RIM (or another investor). However, this may prove to be difficult as RIM (or another investor) is unlikely to want to commit to subscribing for convertible notes without the certainty that it can convert the convertible notes into ordinary shares if it elects to do so.

2.14 Voting For or Against the RIM Allotment Resolution

Voting for or against the RIM Allotment Resolution is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

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3. Profile of Bathurst Resources Limited

3.1 Background

The original Bathurst company was incorporated in Australia on 13 May 2007 as Bathurst Resources Pty Limited. It was converted to a public company on 11 October 2007 and renamed Bathurst Resources Limited (**BTU**). BTU listed its shares on the ASX on 14 December 2007 and on the main equities security market operated by NZX Limited (the **NZX Main Board**) on 26 November 2010.

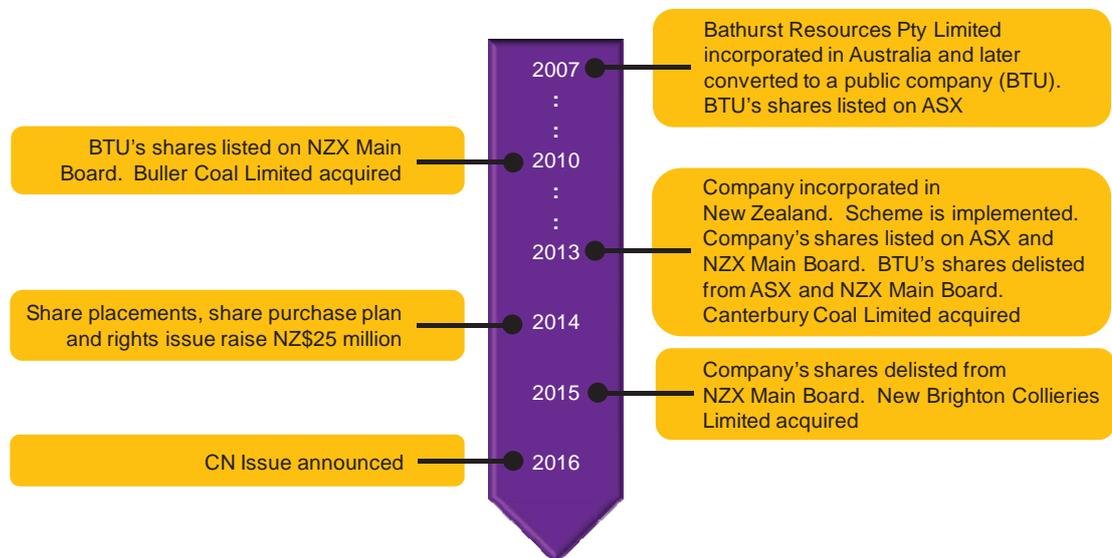
The Company was incorporated in New Zealand on 27 March 2013 as Bathurst Resources (New Zealand) Limited. It changed its name to Bathurst Resources Limited on 18 December 2013.

On 23 June 2013, BTU implemented a scheme of arrangement (the **Scheme**) to re-domicile the head company of the Bathurst group to New Zealand. Under the Scheme, shareholders in BTU were issued one fully paid ordinary share in the Company for every one BTU share held and BTU became a wholly owned subsidiary of Bathurst.

In conjunction with the Scheme, the Company listed its shares on the ASX and the NZX Main Board on 21 June 2013 and BTU delisted its shares from the ASX and NZX Main Board on 1 July 2013.

Bathurst delisted its shares from the NZX Main Board on 3 July 2015.

The Company's key events are set out below.



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3.2 Nature of Operations

Overview

Bathurst engages in the exploration and development of coal mining assets and the production of coal in New Zealand.

While Bathurst is listed on the ASX, the Company is based solely in New Zealand where it employs approximately 90 staff. Its head office is located in Wellington. The Company has no projects outside New Zealand.

The Company's Domestic Operations consist of 4 operating mines (2 of which are on care and maintenance) and supplies energy to South Island industrial customers.

In addition to its Domestic Operations, Bathurst also has permits over 10,000 hectares on the Buller coalfield where ultimately it plans to develop a full scale export operation supplying quality metallurgical coal into international markets (the **Buller Project**).

Domestic Operations

Bathurst's Domestic Operations include:

- the Takitimu mine near Invercargill in Southland
- Canterbury Coal west of Christchurch
- the Cascade and Escarpment mines in the Buller coalfield near Denniston (while Escarpment is in the construction phase), both of which are currently on care and maintenance
- a coal handling and distribution centre in Timaru.

The current production from the Company's Domestic Operations is approximately 400,000 tonnes per annum.

In November 2015, the Company determined that the remaining accessible coal in the Cascade mine was uneconomic to recover due to high strip ratios and therefore the mine was placed into care and maintenance.

The Takitimu mine is located near the town of Nightcaps and contains one of the few remaining pockets of sub-bituminous coal in the region, where coal has been produced for over 140 years. Nearly all coal has been recovered in the original pit and final rehabilitation work is underway.

Bathurst is currently developing the Coaldale block, an extension of the Takitimu mine that will produce more than 2 million tonnes of coal over several years.

The Company has also signed an agreement to acquire the New Brighton Exploration permit. This permit is in close proximity to the Takitimu mine and is connected by the same railway line. It is prospective for high grade sub-bituminous coal and has the potential to add substantially to the life of the Southland operations.

Canterbury Coal is an operating mine 70 kilometres west of Christchurch. The mine produces low sulphur coal to supply the local dairy industry. Production from the mine is expected to be in the vicinity of 60,000 tonnes a year.

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In addition, Bathurst holds exploration permits at Ohai and New Brighton in Southland and at Albury, near Timaru.

Buller Project

The Buller Project covers 10,000 hectares of exploration and mining permits on the Buller coal field, including the Escarpment project on the Denniston Plateau and the adjacent Cascade mine. The Denniston Plateau has a rich coal mining history dating back to the 1800s. The area is home to some of the world's most valuable hard coking coal used for steel making.

From its location in Westport, Bathurst has access to existing rail and port infrastructure accessing the ports of Taranaki at New Plymouth and Lyttelton, near Christchurch, enabling export from both the west and east coasts of the country.

Production is targeted to commence at around 500,000 tonnes per annum, increasing to around 750,000 tonnes per annum. The next stages of the Buller Project to be developed will be Whareatea West, Coalbrookdale and North Buller. The total exploration potential from the project is in excess of 100 million tonnes.

A summary of the Company's resources and reserves is set out below.

Bathurst Resources and Reserves					
Area	Coal Type	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Takitimu	Thermal	1.6	1.7	1.3	4.6
New Brighton	Thermal	0.0	0.7	3.5	4.2
Canterbury Coal	Thermal	0.3	0.5	1.3	2.1
Domestic Operations		1.9	2.9	6.1	10.9
Buller Project	Metallurgical	20.0	35.5	41.8	97.3
Total		21.9	38.4	47.9	108.2

Mt: Million tonnes
Source: Bathurst 2015 annual report

A summary of the Company's recent production is set out below.

Bathurst Production			
	Year to 30 Jun 14	Year to 30 Jun 15	6 Mths to 31 Dec 15
Coal mined (tonnes)	320,769	393,941	250,437
Overburden (bank cubic metres)	5,407,706	2,364,925	1,683,885

Source: Bathurst audited financial statements and 2016 interim report

3.3 Directors and Senior Management

The directors of Bathurst are:

- Toko Kapea – non-executive chair
- Russell Middleton – non-executive director
- Richard Tacon – executive director and chief executive officer
- Peter Westerhuis – non-executive director.

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The Bathurst senior management team is:

- Richard Tacon – executive director and chief executive officer
- Jason Hungerford – chief financial officer
- Fiona Bartier – group manager, HSEC
- Craig Pilcher – general manager, operations
- Alison Brown – general counsel.

3.4 Capital Structure and Shareholders

Ordinary Shares

Bathurst currently has 964,482,755 fully paid ordinary shares on issue held by 4,150 shareholders.

The names, number of shares and percentage holding of the 10 largest shareholders as at 20 May 2016 are set out below.

Bathurst's 10 Largest Shareholders		
Beneficial Shareholder	No. of Shares	%
HSBC Custody Nominees (Australia) Limited	312,657,858	32.42%
JP Morgan Nominees Australia Limited	52,636,571	5.46%
Bell Potter Nominees Limited	34,553,255	3.58%
Berne No 132 Nominees Pty Limited	27,888,773	2.89%
ABN Amro Clearing Sydney Nominees Pty Limited	19,592,728	2.03%
Robert Griffiths and Jean Griffiths	15,000,000	1.56%
Merrill Lynch (Australia) Nominees Pty Limited	13,656,910	1.42%
Citicorp Nominees Pty Limited	10,853,214	1.13%
Forsyth Barr Custodians Limited	8,957,224	0.93%
Peter Bradfield	7,818,713	0.81%
Top 10 shareholders	503,615,246	52.22%
Others (4,140 shareholders)	460,867,509	47.88%
Total	964,482,755	100.00%

Source: Bathurst and Computershare

Bathurst has 2 beneficial shareholders holding more than 5% of the Company's shares:

- RIM – 192,112,714 shares (19.92%)
- ADAL – 64,983,064 shares (6.74%).

Performance Rights

The Bathurst Long Term Incentive Plan (**LTIP**) was approved by the Company's shareholders in 2015. Performance rights granted under the LTIP carry no dividend or voting rights.

Bathurst issued 9,500,000 performance rights to its 4 directors on 29 January 2016 on the following terms:

- they are subject to performance conditions relating to the level of total shareholder return over the year ended 30 June 2016
- they are convertible into fully paid ordinary shares on a one-for-one basis at nil exercise price

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- one third vest each year over 3 years from 30 June 2016, with each tranche exercisable for up to one year.

3.5 Key Issues Affecting Bathurst

The main industry and specific business factors and risks that Bathurst faces include:

- the exploration for, and development of, mineral deposits involves significant risks. Exploration of Bathurst's exploration tenements may be unsuccessful, resulting in a reduction of the value of those tenements, diminution in cash reserves and possible relinquishment of the exploration tenements
- Bathurst's mineral exploration and planned development activities are subject to various laws, rules and regulations which are subject to potential significant change
- Bathurst faces production and other operational risks including weather conditions and natural disasters, disruption of power supply, unexpected technical problems, unanticipated geological conditions, equipment failures and disruptions of rail infrastructure and ship loading facilities
- commodity price volatility, driven by factors such as world demand for coal, forward selling by producers and production cost levels in major coal producing regions
- the renewal or grant of the term of each tenement or licence
- compliance with New Zealand law and regulations regarding environmental matters
- fluctuations in foreign exchange rates.

3.6 Financial Performance

A summary of Bathurst's recent financial performance is set out below.

Summary of Bathurst Financial Performance			
	Year to 30 Jun 14 (Audited) NZ\$000	Year to 30 Jun 15 (Audited) NZ\$000	6 Mths to 31 Dec 15 (Unaudited) NZ\$000
Revenue	55,525	51,289	28,948
Gross profit / (loss)	(1,270)	7,381	6,018
EBITDAF	(487)	4,874	7,216
NPBT	(284,234)	(16,406)	138
NPAT	(188,903)	(16,406)	142
EPS (NZ cents)	(23.7)	(1.7)	0.0
<i>EBITDAF: Earnings before interest, tax, depreciation, amortisation and fair value adjustments</i> <i>NPBT: Net profit before tax</i> <i>NPAT: Net profit after tax</i> <i>EPS: Earnings per share</i>			
<i>Source: Bathurst audited financial statements and 2016 interim report</i>			

The Company's revenue is derived from the sale of coal from its Domestic Operations.

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The NZ\$284 million pre tax loss in the 2014 financial year was primarily due to a NZ\$450 million impairment loss (mainly attributable to the full impairment of the Buller Project), offset to some degree by a \$169 million positive fair value adjustment on the deferred consideration in respect of the Buller Project.

Bathurst underwent a restructuring in the 2015 financial year, resulting in a significant improvement in EBITDAF.

3.7 Financial Position

A summary of Bathurst's recent financial position is set out below.

Summary of Bathurst Financial Position			
	As at 30 Jun 14 (Audited) NZ\$000	As at 30 Jun 15 (Audited) NZ\$000	As at 31 Dec 15 (Unaudited) NZ\$000
Current assets	14,710	10,648	15,408
Non current assets	47,114	39,797	32,017
Total assets	61,824	50,445	47,425
Current liabilities	(16,480)	(16,478)	(12,450)
Non current liabilities	(11,085)	(15,048)	(15,808)
Total liabilities	(27,565)	(31,526)	(28,258)
Total equity	<u>34,259</u>	<u>18,919</u>	<u>19,167</u>

Source: Bathurst audited financial statements and 2016 interim report

Bathurst's current assets as at 31 December 2015 comprised:

- cash and short term deposits of NZ\$5.6 million
- trade and other receivables of NZ\$7.0 million
- inventories of NZ\$2.8 million.

Non current assets as at 31 December 2015 comprised mainly:

- property, plant and equipment – NZ\$12.3 million (mainly plant and machinery and mine infrastructure)
- mining licences, properties, exploration and evaluation assets of NZ\$19.6 million.

Liabilities as at 31 December 2015 comprised:

- trade and other payables NZ\$8.1 million
- borrowings (property loans, bank loans and lease liabilities) – NZ\$4.6 million
- deferred consideration (mainly in respect of the acquisition of the New Brighton Collieries Limited) – NZ\$11.9 million
- provisions – NZ\$3.7 million.

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

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The Company had equity of NZ\$19.2 million as at 31 December 2015, comprising:

- contributed equity – NZ\$247.4 million
- reserves – negative NZ\$31.0 million
- accumulated losses – negative NZ\$197.2 million.

3.8 Cash Flows

A summary of Bathurst's recent cash flows is set out below.

Summary of Bathurst Cash Flows			
	Year to 30 Jun 14 (Audited) NZ\$000	Year to 30 Jun 15 (Audited) NZ\$000	6 Mths to 31 Dec 15 (Unaudited) NZ\$000
Net cash inflow / (outflow) from operating activities	(16,717)	976	3,203
Net cash (outflow) from investing activities	(14,094)	(964)	(1,556)
Net cash inflow / (outflow) from financing activities	23,734	(3,098)	(1,112)
Net increase / (decrease) in cash held	(7,077)	(3,086)	535
Effects of exchange rate changes	116	(14)	-
Opening cash balance	12,526	5,565	2,465
Closing cash balance	5,565	2,465	3,000

Source: Bathurst audited financial statements and 2016 interim report

Cash outflows / inflows from operating activities have steadily improved following the restructure of the Company in the 2015 financial year.

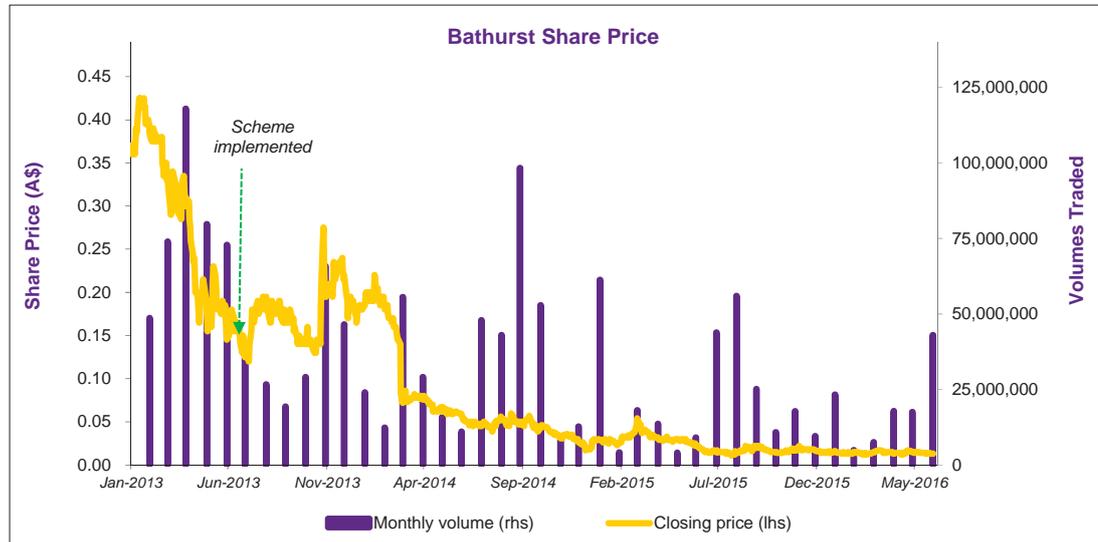
Cash outflows from investing activities mainly relate to payments for exploration and consenting expenditure, mining assets and property, plant and equipment.

Bathurst raised NZ\$25.0 million (after costs) in the 2014 financial year from 2 share placements, a share purchase plan and a rights issue. The Company has repaid NZ\$2.9 million of the Westpac borrowings in the 2 and a half years to 31 December 2015.

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3.9 Share Price History

Set out below is a summary of Bathurst's daily closing share price and monthly volumes of shares traded from 2 January 2013 to 31 May 2016.



Source: S&P Capital IQ

During the period, Bathurst's shares have traded between A\$0.011 and A\$0.425 at a VWAP of A\$0.135.

An analysis of Bathurst's recent VWAP, traded volumes and liquidity (measured as traded volumes as a percentage of shares outstanding) up to the day before the announcement of the CN Issue is set out below.

Share Trading up to 18 April 2016					
Period	Low (A\$)	High (A\$)	VWAP (A\$)	Volume Traded (000)	Liquidity
1 month	0.012	0.015	0.013	5,777	0.6%
3 months	0.012	0.107	0.015	31,364	3.3%
6 months	0.012	0.022	0.016	72,018	7.5%
12 months	0.011	0.030	0.016	232,121	24.1%

Source: S&P Capital IQ

Between the announcement of the CN Issue on 19 April 2016 and 31 May 2016, 54,045,913 shares have traded on the ASX at a VWAP of A\$0.014. The volumes traded represent 5.6% of Bathurst's total number of shares on issue.

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4. Valuation of the Convertible Notes

4.1 Methodology and Valuation Approach

The convertible notes represent a Bathurst security which is a combination of a bond and an embedded option:

- the bond component promises the noteholders the payment of an 8.0% coupon per annum, payable semi annually in arrears
- the embedded option component provides the noteholders with the ability to benefit if the share price of Bathurst is above A\$0.022 when the convertible notes are converted.

To assess the value of the convertible notes, it is necessary to assess the value of the bond component and the embedded option component.

Valuation of Bonds

The value of the bond is a function of the interest rate on the bond and the value of the principal returned.

The convertible notes pay a coupon of 8.0% per annum and repayment of A\$1,000 of principal when they are redeemed.

A required rate of return higher than the coupon will result in a bond value lower than the principal and vice versa.

In our view, the required rate of return on a “plain vanilla” unsecured bond offered by Bathurst at this point in time would be in the range of 10.0% to 12.0% per annum.

Valuation of Options

The Binomial option-valuation model (**Binomial Model**) and the Black-Scholes option-valuation formula (**Black-Scholes Formula**) are commonly used in commercial practice to value options. The Binomial Model is more appropriate for the valuation of American options (which can be exercised at anytime during their life, as opposed to European options which can only be exercised on one particular day) and options over shares which are expected to pay dividends during the exercise period, although variants of the Black-Scholes Formula exist to handle the valuation of such options.

The key variables in determining the value of a European option are:

- the exercise price of the option
- the risk free rate
- the current spot price or market value of the underlying instrument
- the volatility of the returns on the underlying instrument
- the time to expiry
- the expected distributions to be made on the underlying instrument.

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4.2 Valuation Assessment of Bond Component

Valuation Parameters

The key variables applied in our assessment of the value of the bond component of the convertible notes are:

- valuation date – 23 June 2016, being the expected issue date of the convertible notes
- coupon – 8.0% per annum, paid semi annually in arrears
- repayment date – 23 June 2019, being 3 years after the issue of the convertible notes
- principal repayment - A\$1,000
- required yield – 10.0% to 12.0% per annum.

Conclusion

Based on the above, we assess the fair value of the bond component of the convertible notes to be in the range of A\$910 to A\$955 per A\$1,000 convertible note.

4.3 Valuation Assessment of Option Component

Valuation Parameters

Each A\$1,000 convertible note can be converted into 45,455 ordinary shares at the Conversion Price of A\$0.022.

The key variables applied in our assessment of the value of the embedded option component of the convertible notes are:

- valuation date – 23 June 2016, being the expected issue date of the convertible notes
- exercise price - A\$0.022 per share, being the Conversion Price
- the risk free rate – 2.2%, based on the current yield on New Zealand Government 15 April 2020 bonds
- the current market value of Bathurst shares - A\$0.013, being the one month VWAP up to 31 May 2016
- volatility – 50% to 80%, based on the observed volatility levels of movements in Bathurst's share price
- the time to expiry – between 23 June 2017 (assuming an early conversion) and 23 June 2019 (being the last day that the convertible notes may be converted into ordinary shares)
- expected distributions – nil, based on the Company's recent dividend history.

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Conclusion

Based on the above, we assess the fair value of each embedded option in the convertible notes to be in the range of A\$0.0003 to A\$0.0043.

There are 45,455 embedded options in each A\$1,000 convertible note, equating to a value of A\$14 to A\$195 per convertible note.

4.4 Valuation Conclusion

Based on the above, we assess the fair value of each A\$1,000 convertible note to be in the range of A\$924 to A\$1,150. This equates to A\$3.9 million to A\$4.9 million for the 4,250 convertible notes that will be issued.

Valuation of Convertible Notes		
Security Component	Value of Convertible Notes	
	Low (A\$)	High (A\$)
Bond	910	955
Embedded option	14	195
Value per A\$1,000 convertible note	<u>924</u>	<u>1,150</u>
Value of 4,250 convertible notes (A\$000)	<u>3,927</u>	<u>4,888</u>

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5. Sources of Information, Reliance on Information, Disclaimer and Indemnity

5.1 Sources of Information

The statements and opinions expressed in this report are based on the following main sources of information:

- the draft notice of special meeting
- the CN Agreement
- the Bathurst annual reports for the years ended 30 June, 2013 to 2015
- the Bathurst 2016 interim report for the 6 months ended 31 December 2015
- data in respect of Bathurst from S&P Capital IQ, Nasdaq Advisory Services and Computershare
- data in respect of RIM from S&P Capital IQ, company websites and industry publications.

During the course of preparing this report, we have had discussions with and / or received information from the Directors and Bathurst's legal advisers.

The Board has confirmed that we have been provided for the purpose of this Independent Adviser's Report with all information relevant to the RIM Allotment that is known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is desirable for the purpose of preparing this Independent Adviser's Report.

In our opinion, the information to be provided by Bathurst to the Company's shareholders is sufficient to enable the Board and the Company's shareholders to understand all the relevant factors and to make an informed decision in respect of the RIM Allotment.

5.2 Reliance on Information

In preparing this report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Bathurst and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of Bathurst or RIM. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

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5.3 Disclaimer

We have prepared this report with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of Bathurst will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of Bathurst and its directors and management. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit, provided that this shall not absolve Simmons Corporate Finance from liability arising from an opinion expressed recklessly or in bad faith.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to our attention after the date of this report or to review, revise or update this report.

We have had no involvement in the preparation of the notice of special meeting issued by Bathurst and have not verified or approved the contents of the notice of special meeting. We do not accept any responsibility for the contents of the notice of special meeting except for this report.

5.4 Indemnity

Bathurst has agreed that, to the extent permitted by law, it will indemnify Simmons Corporate Finance and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. Bathurst has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Simmons Corporate Finance or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Simmons Corporate Finance shall reimburse such costs.

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6. Qualifications and Expertise, Independence, Declarations and Consents

6.1 Qualifications and Expertise

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), INFENZ (Cert).

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

6.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with Bathurst or RIM or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the RIM Allotment.

Simmons Corporate Finance has not had any part in the formulation of the RIM Allotment or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance will receive a fixed fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the voting in respect of the RIM Allotment Resolution. We will receive no other benefit from the preparation of this report.

6.3 Declarations

An advance draft of this report was provided to the Board for its comments as to the factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

6.4 Consents

We consent to the issuing of this report in the form and context in which it is to be included in the notice of special meeting to be sent to the Non-associated Shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.



Peter Simmons
Director

Simmons Corporate Finance Limited
31 May 2016

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