BATHURST RESOURCES LIMITED

Financial statements for the year ended 30 June 2019

Authorised for and on behalf of the Board of Directors:

Toko Kapea	Russell Middleton
Chairman	Executive Director
26 August 2019	26 August 2019

Income Statement

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Revenue from contracts with customers	3	52,744	47,817
Cost of sales	4	(38,655)	(33,487)
Gross profit		**14,089**	**14,330**
Equity accounted profit	13	45,300	42,961
Other income		38	213
Depreciation	10	(2,624)	(2,431)
Administrative and other expenses	5	(8,499)	(8,517)
Fair value gain on deferred consideration	15 (c)	41	102
Gain/(loss) on disposal of fixed assets		3	(21)
Impairment losses	8	-	(1,630)
Operating profit before tax		**48,348**	**45,007**
Fair value movement on derivatives		-	(27,687)
Fair value movement on borrowings		-	(4,434)
Finance cost	6	(3,545)	(7,487)
Finance income	6	157	149
Profit before income tax		**44,960**	**5,548**
Income tax benefit	7	-	-
Profit after tax		**44,960**	**5,548**
Earnings per share:		**Cents**	**Cents**
Basic profit per share	19	2.83	0.40
Diluted profit per share	19	2.57	0.40

Statement of Comprehensive Income

For the year ended 30 June 2019

		2019 $'000	2018 $'000
Profit after tax		**44,960**	**5,548**
Other comprehensive income ("OCI")			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		79	5
Share of BT Mining FX hedging through OCI	13	(513)	-
Comprehensive income		**44,526**	**5,553**

	Notes	2019 $'000	2018 $'000
Cash and cash equivalents		20,005	20,179
Restricted short-term deposits		4,030	4,037
Trade and other receivables	9 (a)	4,018	3,903
Inventories		1,560	1,226
New Zealand emission units		1,428	396
Other financial assets		-	25
Total current assets		**31,041**	**29,766**
Property, plant and equipment	10	17,239	17,521
Mining assets	11	29,783	26,307
Interest in joint ventures	13	80,828	45,436
Crown indemnity	16	371	351
Other financial assets		139	114
Total non-current assets		**128,360**	**89,729**
TOTAL ASSETS		**159,401**	**119,495**
Trade and other payables	15 (a)	7,079	5,735
Borrowings	15 (b)	14,214	1,895
Deferred consideration	15 (c)	1,035	1,258
Rehabilitation provisions	16	1,328	1,160
Total current liabilities		**23,656**	**10,048**
Borrowings	15 (b)	9,297	27,883
Deferred consideration	15 (c)	5,774	6,350
Rehabilitation provisions	16	4,347	4,768
Total non-current liabilities		**19,418**	**39,001**
TOTAL LIABILITIES		**43,074**	**49,049**
NET ASSETS		**116,327**	**70,446**
Contributed equity	17	286,277	263,179
Debt instruments equity component	17	22,824	43,788
Reserves	18	(33,050)	(31,837)
Accumulated losses		(159,724)	(204,684)
EQUITY		**116,327**	**70,446**

For and on behalf of the Board of Directors:

Toko Kapea	Russell Middleton
Chairman	Executive Director
26 August 2019	26 August 2019

	Contributed equity	Debt instruments equity component	Share-based payments	Foreign exchange /hedging	Retained earnings	Reorganisation reserve	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
1 July 2017	**249,092**	**-**	**278**	**(154)**	**(210,232)**	**(32,760)**	**6,224**
Comprehensive profit	-	-	-	5	5,548	-	5,553
Contributions of equity	14,087	43,788	-	-		-	57,875
Share-based payments	-	-	794	-	-	-	794
30 June 2018	**263,179**	**43,788**	**1,072**	**(149)**	**(204,684)**	**(32,760)**	**70,446**
Comprehensive profit	-	-	-	(434)	44,960	-	44,526
Contributions of equity	25,780	(20,964)	-	-	-	-	4,816
Share-based payments	-	-	764	-	-	-	764
Share buy-backs	(4,225)	-	-	-	-	-	(4,225)
Vesting of performance rights	1,543	-	(1,543)	-	-	-	-
30 June 2019	**286,277**	**22,824**	**293**	**(583)**	**(159,724)**	**(32,760)**	**116,327**

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	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		52,741	47,934
Payments to suppliers and employees		(41,944)	(39,726)
Dividend from BT Mining	13	19,500	13,000
Net cash inflow from operating activities	**20**	**30,297**	**21,208**
Cash flows from investing activities			
Exploration and consenting expenditure		(370)	(292)
Mining assets (including capitalised waste moved in advance)		(8,307)	(8,581)
Property, plant and equipment purchases		(2,342)	(3,382)
Proceeds from disposal of property, plant and equipment		3	-
Deferred consideration		(1,161)	(903)
Investment in BT Mining	13	-	(21,044)
BT Mining repayment of loan to BRL	13	-	9,084
Investment in NWP Coal Canada Limited	13	(10,105)	-
Other		22	58
Net cash outflow from investing activities		**(22,260)**	**(25,060)**
Cash flows from financing activities			
Proceeds from borrowings		-	732
Interest received		130	195
Interest on finance leases and other finance costs paid		(264)	(283)
Repayment of finance leases		(1,721)	(2,240)
Interest on debt instruments		(2,138)	(3,036)
Share buy-backs		(4,225)	-
Net cash outflow from financing activities		**(8,218)**	**(4,632)**
Net decrease in cash		**(181)**	**(8,484)**
Cash and cash equivalents at the beginning of the year		20,179	28,892
Restricted short-term deposits at the beginning of the year		4,037	3,808
Total cash at the end of the year		**24,035**	**24,216**

1. ABOUT OUR FINANCIAL STATEMENTS

General information

Bathurst Resources Limited ("Company" or "Parent" or "BRL") is a company incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and listed on the Australian Securities Exchange ("ASX"). These financial statements have been prepared in accordance with the ASX listing rules.

The financial statements presented as at and for the year ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the "Group").

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

In 2019, the content and structure of the financial statements was reviewed. This review has resulted in the following changes:

- information about significant accounting policies and key judgements and estimates have been relocated to sit within the relevant notes to the financial statements; and
- removal of immaterial disclosures.

These financial statements have been approved for issue by the Board of Directors on 26 August 2019.

Basis of preparation

These Group financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The Group is a for-profit entity for the purposes of complying with NZ GAAP. The consolidated financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The financial statements also comply with International Financial Reporting Standards (IFRS).

These financial statements are presented in New Zealand dollars, which is the Company's functional and presentation currency. References in these financial statements to '$' and 'NZ$' are to New Zealand dollars.

All financial information has been rounded to the nearest thousand unless otherwise stated.

Measurement basis

These financial statements have been prepared on a going concern basis under the historical cost convention, except for certain financial assets and liabilities which are measured at fair value through profit or loss.

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authorities, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense item as applicable. Receivables and payables in the balance sheet are shown inclusive of GST.
The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Key judgements and estimates

In the process of applying the Group's accounting policies, management have made a number of judgements and applied estimates and assumptions about future events. These are noted below and/or detailed within the following relevant notes to the financial statements:

- Note 8 Impairment
- Note 11 Mining assets
- Note 15 (c) Deferred consideration
- Note 16 Rehabilitation provisions
- Note 17 Equity

1. ABOUT OUR FINANCIAL STATEMENTS continued

Key judgements and estimates continued

Reserves and resources
Reserves and resources are based on information compiled by a Competent Person as defined in accordance with the Australasian Code of Mineral Resources and Ore Reserves of 2012 (the JORC Code). There are numerous uncertainties inherent in estimating reserves and assumptions that are valid at the time of estimation but that may change significantly when new information becomes available. Changes in forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values, provisions for rehabilitation, and deferred consideration.

Foreign currency translation

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Group companies
The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at monthly average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

New accounting standards not yet effective

At the date of authorisation of the financial statements, NZ IFRS 16 *Leases* was on issue but not yet effective. The standard eliminates the distinction between operating and finance leases. A formal impact assessment is yet to be undertaken however this standard is not expected to have a material impact. The Group does not intend to apply this standard until its effective date which is the financial year ending 30 June 2020.

Standards and interpretations adopted during the year

The financial information presented for the year ended 30 June 2019 has been prepared using accounting policies consistent with those applied in the 30 June 2018 financial statements, except for the application of two new accounting standards, as detailed below. These were adopted with effect from 1 July 2018 without restatement, and in accordance with the transition requirements.

NZ IFRS 9 ("NZ IFRS 9") – Financial Instruments
This standard replaces NZ IAS 39 *Financial Instruments: Recognition and Measurement*. It introduces a forward-looking expected credit loss impairment model, changes to the classification and measurement of financial assets, as well as how hedge accounting can be applied.

The only impact on the Group on adoption of this standard was a change in classification terminology on its financial assets and some increased disclosures. There was no financial impact.

1. ABOUT OUR FINANCIAL STATEMENTS continued

Standards and interpretations adopted during the year continued

NZ IFRS 15 ("NZ IFRS 15") – Revenue from contracts with customers

This standard details a comprehensive principles based approach on how to recognise revenue from contracts with customers. The Group reviewed its contracts with customers regarding the sale of coal and freight and ash disposal services and determined that there was no financial impact on the adoption of this standard. Increased disclosures are required, refer note 3.

2. SEGMENT INFORMATION

The operating segments reported on are:

- Export – 100 percent of BT Mining's export mine (Stockton).
- Domestic - BRL's eastern South Island domestic operations and 100 percent of the BT Mining North Island domestic mines.
- Corporate – BRL corporate overheads and Buller Coal Project, and 100 percent of BT Mining corporate overheads.

A reconciliation to profit after tax per BRL's Income Statement is provided via the elimination of BT Mining column. Total assets and total liabilities are reported on a group basis, as with tax expense.

Three BRL customers met the reporting threshold of 10 percent of BRL's operating revenue in the year to 30 June 2019, contributing $18.8m, $8.2m and $6.6m (2018: three customers, $17.8m, $6.4m and $6.3m).

Year ended 30 June 2019	Export $'000	Domestic $'000	Corporate $'000	Total $'000	Eliminate BT Mining $'000	Total BRL $'000
Revenue from contracts with customers	**265,858**	**146,986**	**-**	**412,844**	**(360,100)**	**52,744**
EBITDA[1]	103,647	70,245	(15,352)	158,540	(148,345)	10,195
Equity accounted profit	-	-	-	-	-	45,300
Operating profit before tax	**78,412**	**47,060**	**(15,340)**	**110,132**	**(107,084)**	[2]**48,348**
Fair value on derivatives	-	-	(3,439)	(3,439)	3,439	-
Net finance costs	(672)	(616)	(4,965)	(6,253)	2,865	(3,388)
Income tax expense		-	(31,088)	(31,088)	31,088	-
Comprehensive income after tax	**77,740**	**46,444**	**(55,266)**	**68,918**	**(69,692)**	[2]**44,526**
Depreciation & amortisation	11,827	22,575	301	34,703	(27,794)	6,909

[1] Earnings before net finance costs (including interest), tax, depreciation, amortisation, impairment, fair value movement on deferred consideration and rehabilitation provisions.

[2] Total BRL operating profit and comprehensive income does not equal the sum of Total minus elimination of BT Mining, as the Company's 65 percent of BT Mining's profit is added back.

2. SEGMENT INFORMATION continued

Year ended 30 June 2018	Export $'000	Domestic $'000	Corporate $'000	Total $'000	Eliminate BT Mining $'000	Total BRL $'000
Revenue from contracts with customers	**218,579**	**122,588**	**467**	**341,634**	**(293,455)**	**48,179**
EBITDA	105,001	50,865	(16,217)	139,649	(131,190)	8,459
Equity accounted profit	-	-	-	-	-	42,961
Operating profit before tax	**98,437**	**38,718**	**(26,033)**	**111,122**	**(109,076)**	***45,007**
Fair value movements	-	-	(32,121)	(32,121)	-	(32,121)
Net finance costs	(782)	(1,416)	(13,159)	(15,357)	8,019	(7,338)
Income tax expense		-	(35,281)	(35,281)	35,281	-
Comprehensive income	**97,655**	**37,302**	**(106,271)**	**28,686**	**(66,094)**	***5,553**
Depreciation & amortisation	6,083	10,678	130	16,891	(12,006)	4,885

Accounting policy
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2019 $'000	2018 $'000
Coal sales	38,186	35,831
Freight and ash disposal revenue	14,558	11,986
Sales revenue from contracts with customers	**52,744**	**47,817**

Accounting policy
Revenue from contracts with customers is recognised at a point in time, when satisfaction of the performance obligation(s) in a signed customer contract is achieved, signifying when control has passed to the customer.

Performance obligations
The Group has one key performance obligation across all customer contracts – that to supply (and deliver where relevant) coal. Because of when control transfers to the customer (on delivery if freight is included as a service, on arrival at the collection point if not), freight forms part of the same performance obligation as the supply of coal. Satisfaction of the performance obligation is assumed at the time of delivery or arrival at the collection point, whichever is relevant. There are no unsatisfied performance obligations.

Determination of the transaction price
The value at which revenue is recorded is the stand alone selling price for the good/service provided. Each contract notes a separate price for coal, and freight delivery/ash disposal where relevant. Some customer contracts allow for limited remediations in the instance of the Company providing non-specification coal (either at the option of the customer or BRL). These instances are very rare and in almost all cases are rectified in the month that the non-specification occurs. As such the best estimate of the final consideration to be received is the invoiced amount as based on the transaction prices in the customer contract.

4. COST OF SALES

	Note	2019 $'000	2018 $'000
Raw materials, mining costs and consumables used		9,739	7,939
Freight costs		14,186	12,494
Mine labour costs		10,647	9,729
Amortisation expenses		4,285	2,454
Changes in inventories of finished goods and work in progress		(202)	871
Total cost of sales		**38,655**	**33,487**

5. ADMINISTRATIVE AND OTHER EXPENSES

Administrative and other expenses include the following items:

	2019 $'000	2018 $'000
Remuneration of auditors	176	163
Directors fees	208	196
Legal fees	1,213	2,131
Consultants	841	933
Employee benefit expense	2,181	1,650
Rent	366	287
Share-based payments	764	794

6. NET FINANCE COSTS

	Note	2019 $'000	2018 $'000
Interest income		157	149
Total finance income		**157**	**149**
Success fee		-	(854)
Interest expense		(359)	(458)
Interest expense on debt instruments		(2,094)	(3,396)
Realised foreign exchange loss		(42)	(87)
Unrealised foreign exchange loss on debt instruments		(62)	(1,764)
Rehabilitation provisions unwinding of discount	16	(365)	(255)
Deferred consideration unwinding of discount	15 (c)	(623)	(673)
Total finance costs		**(3,545)**	**(7,487)**
Total net finance costs		**(3,388)**	**(7,338)**

7. INCOME TAX BENEFIT

	2019 $'000	2018 $'000
(a) Income tax benefit		
Current tax	(2,594)	(2,108)
Deferred tax	2,594	2,108
Income tax benefit	-	-
Reconciliation of income tax benefit to tax payable		
Profit before income tax	44,960	5,548
Tax at the standard New Zealand rate of 28 percent	12,589	1,554
Tax effects of amounts not assessable in calculating taxable income:		
Share of BT Mining profit	(12,684)	(12,029)
Dividend from BT Mining	7,583	5,056
Fair value movement on derivatives and borrowings	-	8,994
Other permanent adjustments	7,243	1,717
Tax losses not recognised	-	13
Other deferred tax movements	(245)	(5,305)
Income tax benefit	**-**	**-**

Further information relating to deferred tax is set out in note 14.

	2019 $'000	2018 $'000
(b) Imputation credits		
Opening balance imputation credit account	5,055	-
Imputation credits attached to dividends and other items	7,607	5,055
Imputation credits available for use in future periods	**12,662**	**5,055**

Accounting policy

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for New Zealand adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

8. IMPAIRMENT

	Note	2019	2018
		$'000	**$'000**
Impairment of exploration and evaluation assets	11	-	630
Impairment of mining assets	11	-	1,000
Total impairment losses		**-**	**1,630**

Management has assessed the cash-generating units ("CGU") for the Group as follows:

- Bathurst domestic coal, as the Timaru coal yard cannot generate its own cash flows independent of the mines. This includes the Canterbury mine, Takitimu mine and the Timaru coal yard.
- Buller Coal project, as there is a large amount of shared infrastructure between the proposed mines, necessary blending of the pit products at the same site, and the similar geographical location of the pits.
- Cascade mine, as the mine when in operation had established domestic markets which allowed a profitable operation without relying on infrastructure to be built for the Buller Coal project.

Management assessed each CGU for indicators of impairment, or indicators that previously recognised impairment losses may no longer be relevant, where appropriate.

Bathurst domestic coal

It was considered whether there is any operating, regulatory, or market factors that indicate impairment of this CGU. This CGU continues to be profitable and operate as expected. It was concluded that there were no indicators of impairment present at 30 June 2019.

Buller Coal project

The Buller Coal project was previously fully impaired in the year ended 30 June 2015. The Buller Coal project has remained on care and maintenance and management has no immediate plans to reinstate the project. The CGU remains fully impaired at 30 June 2019.

Cascade mine

The Cascade mine was placed on care and maintenance during the year ended 30 June 2016 and remains on care and maintenance at 30 June 2019.

Accounting policy

For non-financial assets, the recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Exploration and evaluation and mining assets, as well as property, plant and equipment are assessed for impairment collectively as part of their respective cash-generating units.

Non-financial assets that have been previously impaired are reviewed for possible reversal of the impairment at the end of each reporting period.

Key judgements and estimates

The future recoverability of the non-financial assets recorded by the Group is dependent upon a number of factors, including whether the Group decides to exploit its mine property itself or, if not, whether it successfully recovers the related asset through sale.

Factors that could impact future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal and regulatory changes, and changes to commodity prices and foreign exchange rates. These factors impact both an assessment of whether impairment should be recognised, as well as if there are indicators that previously recognised impairment should be reversed.

9. FINANCIAL ASSETS

(a) Trade and other receivables	2019 $'000	2018 $'000
Trade receivables from contracts with customers	3,384	3,926
Less: provision on receivable from joint venture Bathurst Industrial Coal Limited	(500)	(500)
Receivable from BT Mining	714	250
Other receivables and prepayments	420	227
Total trade and other receivables	**4,018**	**3,903**

Trade receivables from contracts with customers ("trade receivables") are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 20 to 30 days and as such classified as current. There are no contract assets (accrued revenue) relating to contracts with customers.

Accounting policy

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables for which the Group has applied the practical expedient are measured at the transaction price determined under NZ IFRS 15. A financial asset is recognised when the Group becomes party to the contractual provisions of the instrument.

Subsequent measurement

Financial assets under NZ IFRS 9 are subsequently classified to reflect the business model in which assets are managed and their contractual cash flow characteristics, as follows:

- Amortised cost: where the business model is to hold the financial assets in order to collect contractual cash flows and those cash flows represent solely payments of principal and interest.
- Fair value through other comprehensive income. Where the business model is to both collect contractual cash flows and sell financial assets and the cash flows represent solely payments of principal and interest.
- Fair value through profit or loss. If the asset is held for trading or if the cash flows of the asset do not solely represent payments of principal and interest.

Financial assets at amortised cost

This is the only relevant financial asset category for the Group. The Group's financial assets subsequently measured at amortised cost consist of:

- Cash and cash equivalents and restricted short-term deposits.
- Trade receivables from contracts with customers and related party receivables (within trade and other receivables).
- Other financial assets.
- Crown indemnity (refer note 16 for further information).

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. For information on credit risk and impairment, refer to note 21. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition

Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers the financial asset to another party without retaining control of the asset.

Cash and cash equivalents and restricted short-term deposits

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, excluding restricted cash deposits.

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Mine infrastructure	Plant & machinery	Furniture fittings and equipment	Work in progress	Total
Year ended 30 June 2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Opening net book value	**2,328**	**688**	**266**	**13,176**	**435**	**628**	**17,521**
Additions	-	95	-	330	47	1,870	2,342
Transfers	-	345	117	1,333	218	(2,013)	-
Depreciation	-	(217)	(244)	(2,052)	(111)	-	(2,624)
Disposals	-	-	-	-	-	-	-
Closing net book value	**2,328**	**911**	**139**	**12,787**	**589**	**485**	**17,239**
As at 30 June 2019							
Cost	15,785	6,417	2,913	29,617	2,868	12,609	70,209
Accumulated depreciation and impairment	(13,457)	(5,506)	(2,774)	(16,830)	(2,279)	(12,124)	(52,970)
Closing net book value	**2,328**	**911**	**139**	**12,787**	**589**	**485**	**17,239**
Year ended 30 June 2018							
Opening net book value	**1,928**	**756**	**180**	**10,496**	**185**	**780**	**14,325**
Additions	400	40	5	4,447	172	640	5,704
Transfers	-	6	102	444	200	(752)	-
Depreciation	-	(110)	(21)	(2,180)	(120)	-	(2,431)
Disposals	-	(4)	-	(31)	(2)	(40)	(77)
Closing net book value	**2,328**	**688**	**266**	**13,176**	**435**	**628**	**17,521**
As at 30 June 2018							
Cost	15,785	5,977	2,796	27,954	2,603	12,752	67,867
Accumulated depreciation and impairment	(13,457)	(5,289)	(2,530)	(14,778)	(2,168)	(12,124)	(50,346)
Closing net book value	**2,328**	**688**	**266**	**13,176**	**435**	**628**	**17,521**

Included in plant and machinery above are the following amounts where the Group is a lessee under a finance lease:

	2019	2018
	$'000	**$'000**
Cost	8,133	7,934
Accumulated depreciation	(3,211)	(2,094)
Net book value	**4,922**	**5,840**

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10. PROPERTY, PLANT AND EQUIPMENT continued

Accounting policy

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, those under which a significant portion of the risks and rewards of ownership are transferred to the Company, are capitalised at the lease's inception at the fair value of the leased property, or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Property, plant and equipment

All property, plant and equipment are measured at cost less depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the expenditure will flow to the Group. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is recognised in profit or loss over the estimated useful lives of each item of property, plant and equipment. Leasehold improvements and certain leased plant and equipment are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for significant items of property, plant and equipment are as follows:

− Buildings	10 - 25 years
− Mine infrastructure	3 – 8 years
− Plant and machinery	2 – 25 years
− Plant and machinery leased	Units of use
− Furniture, fittings and equipment	3 – 8 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Any gain or loss on disposals of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

11. MINING ASSETS

	2019 $'000	2018 $'000
Exploration and evaluation assets		
Opening balance	312	2,022
Expenditure capitalised	368	295
Impairment recognised	-	(630)
Transfer to mining licences and property assets	-	(1,375)
Total exploration and evaluation assets	**680**	**312**
Mining licences/permits and property assets		
Opening balance	25,995	18,592
Expenditure capitalised	1,209	301
Transfer from exploration and evaluation assets	-	1,375
Amortisation	(4,285)	(2,426)
Impairment recognised	-	(1,000)
Abandonment provision movement	(915)	876
Waste moved in advance capitalised	7,099	8,277
Total mining licences/permits and property assets	**29,103**	**25,995**
Total mining assets	**29,783**	**26,307**

Accounting policy

Exploration and evaluation

Exploration and evaluation expenditure incurred is capitalised to the extent that the expenditure is expected to be recovered through the successful development and exploitation of the area of interest, or the exploration and evaluation activities in the area of interest have not yet reached a point where such an assessment can be made. All other exploration and evaluation expenditure is expensed as incurred.

Capitalised costs are accumulated in respect of each identifiable area of interest. Costs are only carried forward to the extent that tenure is current and they are expected to be recouped through the successful development of the area (or, alternatively by its sale) or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and operations in relation to the area are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit in the period in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

11. MINING ASSETS continued

Accounting policy continued

Mining licences/permits and properties

Mining licences/permits and development properties include the cost of acquiring and developing mining properties, licences, mineral rights and exploration, evaluation and development expenditure carried forward relating to areas where production has commenced.

These assets are amortised using the unit of production basis over the proven and probable reserves. Amortisation starts from the date when commercial production commences. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably.

Waste moved in advance

Waste removed in advance costs incurred in the development of a mine are capitalised as parts of the costs of constructing the mine and subsequently amortised over life of the relevant area of interest or life of mine if appropriate.

Waste removal normally continues through the life of the mine. The Group defers waste removal costs incurred during the production stage of its operations and discloses them within the cost of constructing the mine.

The amount of waste removal costs deferred is based on the ratio obtained by dividing the volume of waste removed by the tonnage of coal mined. Waste removal costs incurred in the period are deferred to the extent that the current period ratio exceeds the life of mine ratio. Costs above the life of ore component strip ratio are deferred to waste removed in advance. The stripping activity asset is amortised on a units of production basis. The life of mine ratio is based on proven and probable reserves of the operation.

Waste moved in advance costs form part of the total investment in the relevant cash-generating unit, which is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Changes to the life of mine stripping ratio are accounted for prospectively.

Key judgements and estimates

Waste moved in advance is calculated with reference to the stripping ratio (waste moved over coal extracted) of the area of interest and the excess of this ratio over the estimated stripping ratio for the area of interest expected to incur over its life. Management estimates this life of mine ratio based on geological and survey models as well as reserve information for the areas of interest.

12. INVESTMENT IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name of entity	Country of incorporation	Class of shares	Equity holding 2019 %	2018 %
BR Coal Pty Limited	Australia	Ordinary	100	100
Bathurst New Zealand Limited	New Zealand	Ordinary	100	100
Bathurst Coal Holdings Limited	New Zealand	Ordinary	100	100
Buller Coal Limited	New Zealand	Ordinary	100	100
Bathurst Coal Limited	New Zealand	Ordinary	100	100
New Brighton Collieries Limited	New Zealand	Ordinary	100	100
Bathurst Resources (Canada) Limited	Canada	Ordinary	100	100

All subsidiary companies have a balance date of 30 June, and are involved in the coal industry. All subsidiaries have a functional currency of New Zealand dollars except for BR Coal Pty Ltd (Australian dollars) and Bathurst Resources (Canada) Limited (Canadian dollars).

Bathurst Resources (Canada) Limited was incorporated in June 2018 and is the entity via which the Company invests in joint venture NWP Coal Canada Limited – for further information refer to note 13.

Accounting policy
Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the Company and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Contingent consideration (deferred consideration) to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be a financial asset or financial liability are recognised in accordance with NZ IAS 39 in profit or loss as ‘fair value (loss)/gain on deferred consideration’.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

13. INTEREST IN JOINT VENTURES

	2019 $'000	2018 $'000
Interest in BT Mining Limited ("BT Mining")	70,723	45,436
Interest in NWP Coal Canada Limited ("NWP")	10,105	-
Total interest in joint ventures	**80,828**	**45,436**

BT Mining Limited ("BT Mining")

(a) Balances held in BT Mining

	2019 $'000	2018 $'000
Equity investment	16,250	16,250
Share of retained earnings net of dividends received	54,473	29,186
Total interest in BT Mining	**70,723**	**45,436**
Opening balance	**45,436**	**3,515**
Increase in loan to BT Mining	-	21,044
Receipt of loan repayment	-	(9,084)
Receipt of dividend	(19,500)	(13,000)
Share of BT Mining profit	45,300	42,961
Share of BT Mining FX hedging through OCI	(513)	-
Closing balance	**70,723**	**45,436**

BRL holds a 65 percent shareholding in BT Mining, which owns the mining permits and licences as well as the mining assets at the following mine sites:

- Buller Plateau operating assets of the Stockton mine in the South Island; and
- Rotowaro mine, Maramarua mine and certain assets at Huntly West mine located in the North Island.

BRL considers BT Mining to be a joint venture. This is because unanimous approval is required on activities that significantly affect BT Mining's operations. As such the investment in BT Mining is accounted for using the equity method.

For an unaudited proportionate consolidation presentation of BRL and BT Mining, refer to the Additional Information section of these financial statements, after the notes to the financial statements.

13. INTEREST IN JOINT VENTURES continued

BT Mining continued

(b) BT Mining balance sheet

	2019 $'000	2018 $'000
Cash	22,283	7,780
Trade and other receivables	46,749	48,176
Inventories	32,694	35,348
New Zealand emission units	2,975	1,243
Current assets	**104,701**	**92,547**
Property, plant and equipment	72,976	41,454
Mining assets	41,961	27,273
Crown indemnity	53,993	53,399
Other financial assets	742	-
Deferred tax asset	2,041	1,646
Non-current assets	**171,713**	**123,772**
TOTAL ASSETS	**276,414**	**216,319**
Trade and other payables	26,854	28,526
Tax payable	24,894	19,048
Borrowings	2,970	-
Derivative liabilities	789	3,348
Deferred consideration	12,932	11,900
Provisions	6,447	882
Current liabilities	**74,886**	**63,704**
Borrowings	6,876	-
Deferred consideration	12,806	15,100
Provisions	73,042	67,614
Non-current liabilities	**92,724**	**82,714**
TOTAL LIABILITIES	**167,610**	**146,418**
NET ASSETS	**108,804**	**69,901**
Share capital	25,000	25,000
Reserves	(789)	-
Retained earnings net of dividends paid	84,593	44,901
EQUITY	**108,804**	**69,901**
Reconciliation to BRL's interest in BT Mining		
Share of share capital	16,250	16,250
Share of retained earnings net of dividends paid	54,473	29,186
BRL's interest in BT Mining	**70,723**	**45,436**

13. INTEREST IN JOINT VENTURES continued

NWP

On 12 July 2018 BRL secured a joint venture agreement with Jameson Resources Limited ("Jameson"), investing in Jameson's Canadian subsidiary, NWP. The investment was done via a wholly owned subsidiary of BRL set up for this purpose (Bathurst Resources (Canada) Limited) which is incorporated in Canada and has a functional currency of CAD.

NWP's key asset is the Crown Mountain coking coal project ("Crown Mountain"). The Crown Mountain project consists of coal tenure licences located in the Elk Valley coal field in south eastern British Columbia, Canada.

The joint venture agreement structures BRL's investment in NWP into stages. Further investments are at the sole discretion of BRL.

Investment	Amount	Ownership	Use of proceeds	Status
Initial investment	CAD $4.0m	8%	Exploration programme	Complete
Tranche one	CAD $7.5m	12%	Bankable feasibility study	In progress
Tranche two	CAD $110.m	30%	Construction	Not started
Total	**CAD $121.5m**	**50%**	**As above**	

The total amount of NZD $10.1m (CAD $8.9m) invested at 30 June 2019 represents the initial investment (CAD $4.0m) issued in exchange for common ordinary shares in NWP, as well as a further CAD $4.9m as part of tranche one, issued in exchange for preference shares in NWP.

The CAD $4.9m investment in exchange for preference shares is done on a cash call basis at the request of NWP. If BRL exercises the tranche one option, further investment required will equal CAD $7.5m minus funds invested in the preference shares, when the preference shares will automatically convert to ordinary shares on a 1:1 basis.

The preference shares have the same rights as ordinary shares and are issued at the same value as the ordinary shares, with the sole difference that they have a liquidity preference ranking above ordinary shares. Because the preference shares are in substance the same as ordinary shares, giving BRL access to the returns associated with the joint venture, these have been accounted for in the same way as the ordinary shares.

BRL considers NWP to be a joint venture with Jameson. This is because unanimous approval is required on activities that significantly affect NWP's operations. As such the investment in NWP is accounted for using the equity method.

(a) NWP summarised financial information

	2019 $'000
Cash	1,054
Other current assets	286
Exploration and evaluation assets	23,270
Other non-current assets	1,270
TOTAL ASSETS	**25,880**
Current liabilities	352
Non-current financial liabilities	1,941
TOTAL LIABILITIES	**2,293**
Issued capital	25,604
Accumulated losses	(2,017)
TOTAL EQUITY	**23,587**

13. INTEREST IN JOINT VENTURES continued

Bathurst Industrial Coal Limited

The Company holds a 50 percent shareholding in Bathurst Industrial Coal Limited. This venture has ceased to operate and it is intended that this entity will be wound up.

Accounting policy

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

14. DEFERRED TAX

	2019	2018
Temporary differences attributable to:	**$'000**	**$'000**
Tax losses	12,449	13,819
Employee benefits	285	257
Provisions	1,772	803
Mining licences	16,695	16,984
Exploration and evaluation expenditure	2,656	548
Property, plant and equipment	6,624	8,086
Waste moved in advance	2,027	-
Other	436	-
Total deferred tax assets	**42,944**	**40,497**
Waste moved in advance	-	(787)
Other	(3)	-
Total deferred tax liabilities	**(3)**	**(787)**
Net deferred tax asset not recognised	(42,941)	(39,710)
Net deferred tax asset	**-**	**-**

The Group has not recognised a net deferred tax asset on the basis that it is not probable these losses will be utilised in the near future.

Accounting policy

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting or taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred and current tax assets and liabilities are offset when there is a legally enforceable right to offset and when the tax balances relate to the same taxation authority.

15. FINANCIAL LIABILITIES

a) Trade and other payables

	2019 $'000	2018 $'000
Current		
Trade payables	2,316	1,566
Accruals	2,688	1,703
Employee benefit payable	1,183	1,238
Interest payable	723	922
Other payables	169	306
Total trade and other payables	**7,079**	**5,735**

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

b) Borrowings

	2019 $'000	2018 $'000
Current		
Secured		
Lease liabilities	1,418	1,654
Subordinated bonds	11,790	-
Bank borrowings backing property, plant and equipment	287	241
Unsecured		
Convertible notes	719	-
Total current borrowings	**14,214**	**1,895**
Non-current		
Secured		
Lease liabilities	2,470	3,714
Bank borrowings backing property, plant and equipment	-	287
Subordinated bonds	-	11,689
Unsecured		
Convertible notes	6,827	12,193
Total non-current borrowings	**9,297**	**27,883**
Total borrowings	**23,511**	**29,778**

A summary of key details of the Company's debt instruments (excluding lease liabilities) is as follows:

Instrument	Denomination currency	Face value $m	Coupon rate %	Issue date	Maturity date	Per note conversion # shares
Convertible notes	NZD	$0.7m	8%	22/07/2016	22/07/2019	45,455
Convertible notes	NZD	$7.0m	8%	1/02/2017	1/02/2021	26,667
Subordinated bonds	USD	$7.9m	10%	1/02/2017	1/02/2020	n/a

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

During the year, 2,857 of the July 2016 convertible notes issue (face value $3.3m), and 1,400 of the February 2017 convertible notes issue (face value $1.6m), were converted to shares at the election of the note holders. For further details refer to note 17.

15. FINANCIAL LIABILITIES continued

(b) Borrowings continued

Convertible notes
Conversion

- July 2016 issue - can be converted into ordinary shares at the election of the holder any time until 10 days prior to maturity date.
- February 2017 issue - can be converted into ordinary shares at the election of the holder any time until 10 days before maturity date.

Ranking
The convertible notes rank equally with all other present and future unsecured obligations except for obligations accorded preference by mandatory provisions of applicable law. Any shares issued on conversion will rank equally with all other ordinary shares.

Subordinated bonds
Redemption
The Company is entitled to elect early redemption at any time after the sale and purchase agreement of BT Mining becoming unconditional and after the 1 February 2019. If the bonds are redeemed early the Company must pay 104 percent of the issue price.

Ranking
The bonds rank equally with existing and future bonds and without priority or preference amongst themselves. The bonds are formally secured by the Company's share ownership in BT Mining.

Technical breach
There was a technical breach to the bond terms during the year. The required majority approval by the bond holders for the share buy-backs scheme that commenced in October 2018 was received retrospectively at the AGM in November 2018. This means a majority of bond holders can elect these bonds to be repaid before the maturity date.

c) Deferred consideration

	2019 $'000	2018 $'000
Current		
Acquisition of subsidiary	1,035	1,258
Non-current		
Acquisition of subsidiary	5,774	6,350
Total deferred consideration	**6,809**	**7,608**
Movement		
Opening balance	7,608	7,928
Unwinding of discount	623	673
Fair value adjustment	(41)	(102)
Consideration paid during the year	(1,381)	(891)
Closing balance	**6,809**	**7,608**

15. FINANCIAL LIABILITIES continued

c) Deferred consideration continued

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

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

BRL has the option to defer cash payment of the performance payments and elect to submit a higher royalty on coal sold from the respective permit areas until such time the performance payments are made. The option to pay a higher royalty rate has been assumed in the valuation and recognition of deferred consideration.

Bathurst has and will continue to remit royalty payments to L&M Coal Holdings (the vendor) on all Escarpment coal sold as required by the Royalty Deed and this includes ongoing sales from stockpiles. Further information is included in note 23 (d).

Canterbury Coal Limited
The acquisition of Canterbury Coal Limited in November 2013 contained a royalty agreement. The amounts that are payable in the future under this royalty agreement are required to be recognised as part of the consideration paid for Canterbury Coal Limited. The fair value of the future royalty payments is estimated using a discount rate based upon the Group's weighted average cost of capital ("WACC") and production profile at a set rate per tonne of coal produced. Sensitivity analysis on impact to profit based on changes to key inputs to the estimation of the deferrred consideration liability is as follows:

		2019		2018	
		Increase in estimate	Decrease in estimate	Increase in estimate	Decrease in estimate
Key input	**Change in input**			**$'m**	**$'m**
Discount rate	2 percent	0.1	(0.2)	0.1	(0.1)
Production levels	5 percent	0.0	0.0	(0.1)	0.1

New Brighton Collieries Limited
The Company completed the acquisition of New Brighton Collieries Limited on 10 March 2015. The balance due on settlement is to be satisfied by an ongoing royalty based on mine gate sales revenue. The fair value of the future royalty payments is estimated using a discount rate based upon the Group's WACC, projected production profile, and forecast domestic coal prices. These are based on the Group's forecasts which are approved by the Board of Directors. Sensitivity analysis on impact to profit based on changes to key inputs to the estimation of the deferrred consideration liability is as follows:

Key input	**Change in input**	**$'m**	**$'m**	**$'m**	**$'m**
Discount rate	2 percent	0.4	(0.4)	0.5	(0.5)
Production levels	5 percent	(0.2)	0.2	(0.3)	0.3
Coal prices	$5 per tonne	(0.2)	0.2	(0.3)	0.3

Security

Pursuant to a deed of guarantee and security the deferred consideration is secured by way of a first-ranking security interest in all of New Brighton Collieries Limited's present and future assets (and present and future rights, title and interest in any assets).

15. FINANCIAL LIABILITIES continued

(d) Fair value measurements

The fair value of the Group's debt instruments is noted below:

	2019		2018	
	Fair value	**Carrying value**	**Fair value**	**Carrying value**
Instrument	**$'000**	**$'000**	**$'000**	**$'000**
Subordinated bonds	12,309	11,790	12,175	11,689
Convertible notes	7,858	7,546	12,652	12,193

All other financial assets and liabilities (except where specifically noted) have a carrying value that is equivalent to their fair value.

Accounting policy

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of borrowings and trade and other payables, net of directly attributable transaction costs.

Subsequent measurement

Subsequent measurement of financial liabilities under NZ IFRS 9 is at amortised cost, unless eligible to opt to designate a financial liability at fair value through profit or loss, or other specific exceptions apply.

The Group's financial liabilities fall within two measurement categories: trade and other payables and borrowings at amortised cost, and deferred consideration at fair value through profit or loss.

Financial liabilities at amortised cost

Trade and other payables and borrowings are subsequently measured at amortised cost using the effective interest rate method ("EIR"). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. Borrowings denominated in foreign currency are re-translated at each reporting period to account for unrealised foreign exchange movements.

The fair value of the liability portion of the convertible notes was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The remainder of the proceeds was allocated to the conversion option and recognised in equity as debt instruments equity component, and is not subsequently remeasured. Refer to note 17.

Fair value through profit or loss

Deferred consideration is subsequently measured at fair value through profit or loss, as IFRS 9 denotes the measurement requirements of IFRS 3 *Business combinations* applies. The fair value of deferred consideration payments is determined at acquisition date. Subsequent changes to the fair value of the deferred consideration are recognised through the income statement. The portion of the fair value adjustment due to the time value of money (unwinding of discount) is recognised as a finance cost.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

15. FINANCIAL LIABILITIES continued

Accounting policy
Fair value
Fair value is the price that would be received from the sale of an asset or paid to transfer a liability in a transaction between active market participants or in its absence, the most advantageous market to which the Group has access to at the reporting date. The fair value of a financial liability reflects its non-performance risk.

When available, fair value is measured using the quoted price in an active market. A market is active if transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The following fair value hierarchy, as set out in NZ IFRS 13: *Fair Value Measurement*, has been used to categorise the inputs to valuation techniques used to measure the financial assets and financial liabilities which are carried at fair value:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
(c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Group's only financial asset or liability measured at fair value is deferred consideration which is valued at a fair value hierarchy of level 3. The fair value of debt instruments disclosed has been valued at a fair value hierarchy of level 2.

Key judgements and estimates
In valuing the deferred consideration payable under business acquisitions management uses estimates and assumptions. These include future coal prices, discount rates, coal production, and the timing of payments. The amounts of deferred consideration are reviewed at each balance date and updated based on best available estimates and assumptions at that time.

16. REHABILITATION PROVISIONS

	2019	2018
	$'000	$'000
Current	1,328	1,160
Non-current	4,347	4,768
Total provisions	**5,675**	**5,928**

Rehabilitation provision movement:		
Opening balance	5,928	3,985
Change recognised in the mining and property asset	(915)	905
Unwinding of discount	365	255
Recognition/movement in Crown indemnity on Sullivan permit	20	351
Movement in provision recognised in the income statement	277	432
Closing balance	**5,675**	**5,928**

16. REHABILITATION PROVISIONS continued

Accounting policy

Provisions are made for site rehabilitation costs relating to areas disturbed during the mine's operation up to reporting date but not yet rehabilitated. The provision is based on management's best estimate of future costs of rehabilitation. When the provision is recognised, the corresponding rehabilitation costs are recognised as part of mining property and development assets. At each reporting date, the rehabilitation liability is re-measured in line with changes in the timing or amount of the costs to be incurred. Changes in the liability relating to rehabilitation of mine infrastructure and dismantling obligations are added to or deducted from the related asset.

If the change in the liability results in a decrease in the liability that exceeds the carrying amount of the asset, the asset is written down to nil and the excess is recognised immediately in the income statement. If the change in the liability results in an addition to the cost of the asset, the recoverability of the new carrying value is considered. Where there is an indication that the new carrying amount is not fully recoverable, an impairment test is performed with the write down recognised in the income statement in the period in which it occurs.

The net present value of the provision is calculated using an appropriate discount rate, the unwinding of the discount applied in calculating the net present value of the provision is charged to the income statement in each reporting period and is classified as a finance cost.

A reasonable change in discount rate assumptions would not have a material impact on the provision.

Key judgements and estimates

In calculating the estimated future costs of rehabilitating and restoring areas disturbed in the mining process certain estimates and assumptions have been made. The amount the Group is expected to incur to settle these future obligations includes estimates in relation to the appropriate discount rate to apply to the cash flow profile, expected mine life, application of the relevant requirements for rehabilitation, and the future expected costs of rehabilitation.

Changes in the estimates and assumptions used could have a material impact on the carrying value of the rehabilitation provision. The provision is reviewed at each reporting date and updated based on the best available estimates and assumptions at that time.

17. EQUITY

	Note	2019 Number of shares 000s	2018 Number of shares 000s
(a) Ordinary fully paid shares			
Opening balance		**1,513,164**	**986,028**
Issue of shares from conversion of convertible notes		167,198	13,318
Issue of shares from vesting of performance rights	18	16,131	-
Cancellation of shares from buy-backs		(31,316)	-
Issue of shares from conversion of RCPS		-	513,818
Closing balance		**1,665,177**	**1,513,164**

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. Every ordinary share is entitled to one vote.

17. EQUITY continued

(a) Ordinary fully paid shares continued

Convertible notes conversions
During the year, 2,857 of the July 2016 issue of convertible notes were converted to shares at the option of the note holder, at $1,150 per note and 2.53¢ per share (June 2018: 293 notes). 1,400 of the February 2017 convertible notes issue were also converted at the request of the note holder, at $1,150 per note and 4.3125¢ per share.

Share buy-backs
There were two share buy-back schemes implemented during the year. The first was an on-market share buy-back facility, allowing the Company to purchase up to 75m of its own shares. At 30 June 2019, 30.5m shares had been bought back at an average price of AU 12.8¢ per share.

An off-market minimum holding buyback facility was also offered to shareholders who held unmarketable parcels of shares as defined by the Australian Stock Exchange, which is a shareholder who has a holding valued at less than AUD $500. Of the 757 eligible shareholders, 555 participated in the facility, with the Company buying back 0.8m shares at a price of AU 14.5¢ per share.

(b) Contributed equity	**2019 $'000**	**2018 $'000**
Opening balance	**263,179**	**249,092**
Issue of shares from conversion of convertible notes	25,780	1,982
Issue of shares from conversion of RCPS	-	12,105
Issue of shares from vesting of performance rights	1,543	-
Share buy-backs	(4,225)	-
Closing balance	**286,277**	**263,179**

The value transferred to equity on conversion of the convertible notes was the proportional value of the amortised cost of the underlying borrowings and the fair value of the conversion option (debt instruments equity component).

(c) Debt instruments equity component		
Opening balance	**43,788**	**-**
Conversion option of convertible notes recognised as equity	-	43,788
Transfer to contributed equity on conversion of convertible notes	(20,964)	-
Closing balance	**22,824**	**43,788**

Accounting policy
Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Key judgements and estimates
The Group has made a judgement that the conversion feature of the convertible notes should be classified as equity. This judgement was made on the basis that the conversion feature satisfies the equity classification test of converting a fixed amount of debt principal to a fixed quantity of the Group's own shares (the 'fixed for fixed' test). Because of this classification the value attributed to the conversion feature is not subsequently remeasured after initial recognition through profit or loss.

The value recognised was independently determined using a Black Scholes Model for the convertible notes that takes into account the exercise price, the term of the conversion option, the current share price and expected price volatility of the underlying share, the expected dividend yield, and the risk free interest rate for the term of the conversion option.

18. RESERVES

	2019 $'000	2018 $'000
Share-based payment reserve	293	1,072
Foreign exchange translation reserve	(70)	(149)
Share of BT Mining FX hedging through OCI	(513)	-
Reorganisation reserve	(32,760)	(32,760)
Total reserves	**(33,050)**	**(31,837)**

Nature and purpose of reserves

Share-based payment reserve

The share-based payment reserve is used to recognise the fair value of performance rights issued. Some performance rights vested during the year with shares issued; the value pertaining to these performance rights were transferred to contributed equity.

Foreign exchange translation reserve

Exchange differences arising on translation of companies within the Group with a different functional currency to New Zealand dollars are taken to the foreign currency translation reserve. The reserve is recognised in the income statement when the investment is disposed of.

Share of BT Mining FX hedging through OCI

The value booked represents 65 percent equity share of the fair value movement on FX hedging in BT Mining that is put through other comprehensive income.

Reorganisation reserve

Bathurst Resources Limited was incorporated on 27 March 2013. A scheme of arrangement between Bathurst Resources Limited and its shareholders resulted in Bathurst Resources (New Zealand) Limited becoming the new ultimate parent company of the Group on 28 June 2013. A reorganisation reserve was created, which reflects the previous retained losses of subsidiaries.

Details on share-based payments

Grant date	Vesting date	Opening balance 000s	Issued 000s	Vested 000s	Closing balance 000s
Transaction Performance Rights					
6 February 17	31 December 18	11,500	-	(11,500)	-
Completion performance rights					
21 December 17	31 December 18	1,981	-	(1,981)	-
Retention performance rights					
3 April 18	31 December 18	2,650	-	(2,650)	-
Director performance rights					
20 December 2018	31 March 2020	-	2,555	-	2,555
LTIP performance rights					
28 December 2018	30 January 2022	-	4,591	-	4,591
		16,131	**7,146**	**(16,131)**	**7,146**

The transaction, completion and retention performance rights were converted to shares for nil consideration on the 30 January 2019, with the closing market rate of BRL shares on this date at AU 0.12¢ per share.

18. RESERVES continued

Details on share-based payments continued

Transaction performance rights
Transaction performance rights were issued to certain key executives during the year, conditional on the successful signing of a sale and purchase agreement for the acquisition of certain Solid Energy mine site assets via the Company's joint venture vehicle, BT Mining. These form part of the Group's overall retention strategy, and recognises their instrumental roles in relation to the negotiation and signing of the contract. These were approved by shareholders at the 2016 AGM.

Completion performance rights
Completion performance rights were issued to executive directors in recognition of the completion of the sale and purchase agreement for the acquisition of certain assets from Solid Energy, and the close and transition of those assets. These form part of the Group's overall retention strategy and recognises their instrumental roles in relation to the successful completion of the acquisition. These were approved by shareholders at the 2017 AGM.

Retention performance rights
Retention performance rights were issued to senior executives in recognition of the successful close and transition of certain assets from Solid Energy to the Company. These form part of the Group's overall retention strategy and were approved by the Board.

Director performance rights
Director performance rights were issued to directors in recognition of past performance of the Company, in particular a 67 percent increase in the Company's share price in FY18. These were approved by shareholders at the 2018 AGM.

These have a nil issue and exercise price and are convertible into fully paid ordinary shares on a 1:1 basis. Vesting is dependent on the holders remaining in employment until the vesting date.

Long term incentive plan ("LTIP") performance rights
LTIP performance rights were issued to executive directors as part of the new LTIP approved at the 2018 AGM. These rights were issued as an incentive for the future performance of these directors. The rights were approved at the 2018 AGM.

These have a nil issue and exercise price and are convertible into fully paid ordinary shares on a 1:1 basis. Performance requirements include continuous employment with BRL until 15 October 2021, and BRL achieving a total shareholder return compound annual growth rate for the period 1 July 2018 to and including 30 June 2021 of between 10 percent to 15 percent.

Accounting policy
Share-based compensation benefits are provided to employees via the Bathurst Resources Limited LTIP.

The fair value of performance rights granted under the Bathurst Resources Limited LTIP is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Company revises its estimates of the number of rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Performance rights granted carry no dividend or voting rights. When exercised each performance right converts into one fully paid ordinary share. The exercise price of all performance rights is nil.

19. EARNINGS PER SHARE

(a) Earnings per share ("EPS") attributable to ordinary equity holders

	2019 Cents	2018 Cents
Basic EPS	2.83	0.40
Diluted EPS	2.57	0.40

(b) Reconciliation of earnings used in calculation	$'000	$'000
Earnings used to calculate basic EPS – net profit after tax	44,960	5,548
Interest expense on convertible notes	926	-
Earnings used in calculation of diluted EPS	**45,886**	**5,548**

(c) Weighted average number of shares	Number of shares 000s	Number of shares 000s
Weighted average shares used in calculation of basic EPS	1,587,049	1,399,047
Dilutive potential ordinary shares (performance rights and convertible notes)	198,267	-
Weighted average shares used in calculation of diluted EPS	**1,785,316**	**1,399,047**

At 30 June 2018, basic and diluted EPS were the same as the potential ordinary shares from the convertible notes and performance rights were anti-dilutive.

Accounting policy
Basic earnings per share
Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

20. RECONCILIATION OF PROFIT TO OPERATING CASH FLOWS

	2019 $'000	2018 $'000
Profit before income tax	44,960	5,548
Dividend received from BT Mining	19,500	13,000
Non-cash items:		
Unrealised FX movements	13	1,767
Depreciation and amortisation	6,909	4,885
Share of BT Mining profit	(45,300)	(42,961)
Rehab provision movement and discount unwinds	563	741
Fair value movements on derivatives	-	27,687
Fair value movements on borrowings	-	4,434
Unwinding of discount rate and fair value adjustment on deferred consideration	582	571
Share-based payment expense	764	794
Impairment	-	1,630
Other	-	75
Non-operating items:		
(Gain)/loss on sale of property, plant and equipment	(3)	21
Interest on debt instruments	2,096	3,396
Other	146	111
Movement in working capital	67	(491)
Cash flow from operating activities	**30,297**	**21,208**

21. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, and interest rate risk), credit risk and liquidity risk.

The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

Risk management is carried out by the management team under policies approved by the Board of Directors. Management identifies and evaluates financial risks on a regular basis.

Market risk
Foreign exchange risk
Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not New Zealand dollars. The risk is measured using sensitivity analysis.

The Group had minimal operating exposure to foreign currency risk at the end of the reporting period. The Group assesses potential foreign currency exposures by assessing the impact of movement in the FX rate on profit, as follows:

Debt instrument	**Currency and face value**	**2019 +3% $'000**	**2018 +3% $'000**	**2019 -3% $'000**	**2018 -3% $'000**
Subordinated bonds	USD $7.9m	344	341	(365)	(362)

21. FINANCIAL RISK MANAGEMENT continued

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. A material risk of credit risk arises from cash and cash equivalents, restricted short-term deposits, trade receivables from contracts with customers, and related party receivables.

Risk management
The Group has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral where appropriate as a means of minimising the risk of financial defaults.

The credit risk on cash and cash equivalents and restricted short-term deposits is limited because the Group only banks with counterparties that have credit ratings of AA- or higher.

The Group's maximum exposure to credit risk for trade receivables from contracts with customers and loans to related parties is their carrying value. The Group has long standing relationships with all its key customers and historically has experienced very low to nil defaults on its trade receivables.

Impairment
The Group's financial assets are subject to having their impairment assessed against the IFRS 9 forward looking expected credit loss model. The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The group applies the NZ IFRS 9 simplified approach to measuring expected credit losses for trade receivables on contracts with customers, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The assessed impairment loss for all financial assets was immaterial at 30 June 2019. There were no indicators that credit risk on financial assets had increased significantly since initial recognition, nor does the Group hold any financial assets that are considered to be credit-impaired (excluding a historical intercompany receivable which has been specifically provided for).

21. FINANCIAL RISK MANAGEMENT continued

Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis.

Maturities of financial liabilities

The tables below analyse the Group's non-derivative financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances.

	Less than 6 months	6 - 12 months	Between 1 – 2 years	Between 2 – 5 years	Over 5 years	Total contractual flows
30 June 2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade and other payables	7,079	-	-	-	-	7,079
Borrowings	854	12,561	6,745	-	-	20,160
Finance leases	1,332	1,077	1,207	943	-	4,559
Deferred consideration	503	503	952	3,026	4,282	9,266
Total	**9,768**	**14,141**	**8,904**	**3,969**	**4,282**	**41,064**
30 June 2018						
Trade and other payables	5,803	-	-	-	-	5,803
Borrowings	1,100	1,082	17,130	9,033	-	28,345
Finance leases	1,057	1,057	2,345	1,906	-	6,365
Deferred consideration	636	636	1,226	3,775	4,786	11,059
Total	**8,596**	**2,775**	**20,701**	**14,714**	**4,786**	**51,572**

Borrowings in the above table represent the underlying contractual commitments on the USD denominated Subordinated Bonds and NZD convertible notes. The convertible notes have the option to convert to equity, so future principal repayments may not occur. The subsequent to balance sheet date conversions of convertible notes disclosed in note 24 have been excluded from the above.

Total contractual cash flows on finance leases equal minimum lease payments plus interest.

Capital management

The Group's capital includes contributed equity, reserves, and retained earnings. The Board's policy is to maintain a strong capital base to maintain investor, creditor, and market confidence and to sustain the future development of the business. There were no changes to the Company's approach to capital management during the year.

21. FINANCIAL RISK MANAGEMENT continued

Financial instruments by category

Financial Assets	**2019 $'000**	**2018 $'000**
Amortised cost		
Cash and cash equivalents	20,005	20,179
Restricted short-term deposits	4,030	4,037
Trade and other receivables	4,018	3,903
Other financial assets	139	139
Crown Indemnity	371	351
Total	**28,563**	**28,609**
Financial Liabilities		
Amortised Cost		
Trade and other payables	7,079	5,803
Borrowings	23,511	29,778
Fair Value		
Deferred consideration	6,809	7,608
Total	**37,399**	**43,189**

22. KEY MANAGEMENT PERSONNEL

Key management personnel are the senior leadership team and directors (executive and non-executive) of the Group.

Key management personnel compensation

	Short-term benefits $'000	**Share-based payments $'000**	**Total $'000**
30 June 2019			
Management	2,387	676	3,063
Non-executive directors	184	88	272
Total	**2,571**	**764**	**3,335**
30 June 2018			
Management	2,172	684	2,856
Non-executive directors	196	110	306
Total	**2,368**	**794**	**3,162**

23. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

There was no capital expenditure contracted for at the reporting date but not recognised as a liability (2018: nil).

23. COMMITMENTS AND CONTINGENT LIABILITIES continued

(b) Lease commitments

Non-cancellable operating leases

The Group leases various offices, accommodations, and equipment under non-cancellable operating leases expiring within one to five years. The leases have varying terms, escalation clauses and renewal rights. Commitments for non-cancellable minimum lease payments are payable as follows:

	2019 $'000	2018 $'000
Within one year	270	287
Later than one year but not later than five years	367	608
Total lease commitments	**637**	**895**

Finance leases

The Group leases various plant and equipment expiring within one to five years. Refer to note 21 for further information.

(c) Exploration expenditure commitments

To maintain the various permits in which the Group is involved the Group has ongoing operational expenditure as part of its normal operations. The actual costs will be dependent on a number of factors including final scope and timing of operations.

(d) Contingent assets and liabilities

On 23 December 2016 BRL announced that L&M Coal Holdings Limited had filed legal proceedings in the High Court of New Zealand in relation to an alleged breach of the first USD $40m performance payment described in note 15 (c). On 20 August 2018 BRL advised that it received an unfavourable judgment from the High Court on this matter.

The High Court held that the first performance payment had been triggered as royalties were not being paid on a reasonable level (undefined by the Court) of production. BRL lodged an appeal to the Court of Appeal against this decision, which was heard in court on 21 to 23 August 2019. BRL continues to believe that it is more likely than not that it will be successful in the Court of Appeal. A judgment is expected from the Court of Appeal in early 2020. Notwithstanding this, should BRL ultimately be unsuccessful, directors have considered options to fund payment and are of the view that BRL would be able to do so.

24. EVENTS AFTER THE REPORTING PERIOD

Other than as disclosed there are no other material events that occurred subsequent to reporting date, that require recognition of, or additional disclosure in these financial statements.

Conversion of convertible notes

The remaining July 2016 issue of convertible notes matured on the 22 July 2019 (original maturity date). It was requested by the note holder that these were converted to shares, resulting in the issue of 28.5m shares. The remaining balance sitting in borrowings and debt instrument equity component relating to this notes issue has subsequently been transferred to contributed equity. 13.3m shares were also issued on 12 August 2019 on the conversion of 500 of the February 2017 issue of convertible notes (face value of debt $0.6m), at the request of the note holder.

Dividend

The Board approved a dividend on 26 August 2019, which will be payable on 23 October 2019. The dividend is payable at AU 0.3¢ per share, amounting to a total dividend payment of AUD $5.1m based on current issued shares. These financial statements do not reflect this dividend, the dividend will be accounted for in equity as an adjustment to retained earnings in the financial year ending 30 June 2020.

Share buy-backs

The Board approved a 12-month extension to the on-market share buy-back facility which was originally announced on 28 August 2018. The facility will now end on the 28 August 2020; no other details have changed. At the date of these financial statements, there were 44.5m shares able to be bought back.

Unaudited proportionate consolidation of Bathurst and BT Mining operations

The following income statement, balance sheet and cash flow represent 100 percent of Bathurst operations, and 65 percent of BT Mining operations. This presentation does not reflect reporting under NZ GAAP or NZ IFRS, but is intended to show a combined operating view of the two businesses for information purposes only.

Prior period comparatives only include ten months of operations, as BT Mining began operating on 1 September 2017.

Consolidated Income Statement

	2019 $'000	2018 $'000
Revenue from contracts with customers	286,809	237,083
Realised FX and coal price hedging	(5,303)	-
Less: cost of sales	(173,509)	(133,981)
Gross profit	**107,997**	**103,102**
Other income	254	1,486
Depreciation	(9,838)	(6,545)
Administrative and other expenses	(19,180)	(17,855)
Fair value on deferred consideration	(6,584)	(5,684)
Gain on disposal of fixed assets	3	71
Impairment losses	-	(1,630)
Operating profit before tax	**72,652**	**72,945**
Fair value movement on derivatives	(2,235)	(27,687)
Fair value movement on borrowings	-	(4,434)
Finance cost	(5,704)	(12,699)
Finance income	454	356
Profit before income tax	**65,167**	**28,481**
Income tax expense	(20,207)	(22,933)
Profit after tax	**44,960**	**5,548**

Consolidated Balance Sheet

	2019 $'000	2018 $'000
Cash and cash equivalents	34,489	25,236
Restricted short-term deposits	4,030	4,037
Trade and other receivables	34,405	35,217
Inventories	22,812	24,203
New Zealand emission units	3,362	1,204
Other financial assets	-	25
Total current assets	**99,098**	**89,922**
Property, plant and equipment ("PPE")	64,673	44,466
Mining assets	57,058	44,034
Crown indemnity	35,466	35,060
Deferred tax asset	1,327	1,070
Interest in joint ventures	10,105	-
Other financial assets	621	114
Total non-current assets	**169,250**	**124,744**
TOTAL ASSETS	**268,348**	**214,666**
Trade and other payables	24,534	24,277
Tax payable	16,181	12,381
Borrowings	16,145	1,895
Derivative liabilities	513	2,176
Deferred consideration	9,441	8,993
Provisions	5,519	1,733
Total current liabilities	**72,333**	**51,455**
Borrowings	13,766	27,883
Deferred consideration	14,098	16,165
Provisions	51,824	48,717
Total non-current liabilities	**79,688**	**92,765**
TOTAL LIABILITIES	**152,021**	**144,220**
NET ASSETS	**116,327**	**70,446**
Contributed equity	286,277	263,179
Debt instruments equity component	22,824	43,788
Reserves	(33,050)	(31,837)
Retained earnings net of dividends	(159,724)	(204,684)
EQUITY	**116,327**	**70,446**

Consolidated Cash Flow

	2019 $'000	2018 $'000
Cash flows from operating activities		
Receipts from customers	286,293	209,945
Payments to suppliers and employees	(178,992)	(143,755)
Dividends	-	-
Taxes paid	(16,597)	(11,621)
Net inflow from operating activities	**90,704**	**54,569**
Cash flows from investing activities		
Exploration and evaluation expenditure	(703)	(337)
Mining assets (incl. elevated stripping)	(28,517)	(21,696)
PPE purchases	(30,046)	(30,666)
Proceeds from disposal of PPE	186	92
Payment of deferred consideration	(9,863)	(5,159)
BT Mining repayment of loan to BRL	-	4,290
Investment in NWP	(10,105)	-
Other	22	57
Net outflow from investing activities	**(79,026)**	**(53,419)**
Cash flows from financing activities		
Proceeds from borrowings	6,955	20,070
Repayment of borrowings	(2,670)	(21,578)
Interest on debt instruments	(2,138)	(3,036)
Interest received	427	402
Interest paid	(697)	(555)
Finance facility fees	(84)	(150)
Share buy-backs	(4,225)	-
Net outflow from financing activities	**(2,432)**	**(4,847)**
Net increase in cash and cash equivalents	**9,246**	**(3,697)**
Opening cash and cash equivalents including restricted short-term deposits	29,273	32,970
Closing cash and cash equivalents	**38,519**	**29,273**

Independent auditor’s report

To the shareholders of Bathurst Resources Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Bathurst Resources Limited (the ’Company’) and its subsidiaries (the 'Group') on pages 3 to 38:

i. present fairly in all material respects the Group’s financial position as at 30 June 2019 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 30 June 2019;

— the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (‘ISAs (NZ)’). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (‘IESBA Code’), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor’s responsibilities for the audit of the consolidated financial statements section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

Emphasis of matter – Contingent liabilities

We draw attention to Note 23(d) to the consolidated financial statements which discloses the unfavourable judgment received in relation to legal proceedings in the High Court of New Zealand filed by L&M Coal Holdings Limited. The Group had its appeal heard in the Court of Appeal during the week ending 23 August 2019 and the decision remains outstanding.

No liability has been recognised as at 30 June 2019 based on legal advice that it is more likely than not that the Group will be successful in the Court of Appeal.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $2,000,000 determined with reference to a benchmark of the Group's profit before tax from continuing operations. We chose the benchmark because, in our view, this is a key measure of the Group's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
Deferred consideration	
Refer to Note 15(c) to the financial statements. The fair value of the deferred consideration in respect of previous mine acquisitions was $6.8 million as at 30 June 2019. The equity accounted joint venture BT Mining Limited includes deferred consideration of $25.7 million. Significant judgement is applied by in relation to key inputs into the discounted cash flow models (models) to estimate the fair value of deferred consideration. Key inputs include estimated coal production levels, future coal prices, the timing of cash flows and a discount rate based on the risk free rate plus a mine-specific risk premium to reflect the risk that is not incorporated into the estimated cash flows. This was an area of audit focus because of the estimation uncertainties and significant judgements applied by management in estimating future coal prices, production levels and timing of cash flows and the sensitivities to be disclosed.	Our audit procedures over management's calculation of its estimate of the future deferred consideration payable included the following: — Sighting the sale and purchase agreements and agreeing the terms of the deferred consideration obligations related to each mine. — Testing the mathematical accuracy of the models used by Management to calculate the estimated future deferred consideration payable. — Comparing the forecasted coal production to operational data and reserve estimates prepared by the Group's internal reserve engineering experts. — Assessing management's production forecasting accuracy by comparing forecast results to actual results. — Comparing the forecast coal price assumption with current prices charged to the Company's largest customers and a growth rate based on historic growth rates and external forecast coal prices. — Performing sensitivity analysis on the key estimates and assumptions, including the forecast coal price and estimated production. — Assessing whether the Group's disclosures in relation to deferred consideration and the sensitivities of key assumptions were appropriate in the financial statements.

The key audit matter	How the matter was addressed in our audit
Revenue recognition	
Refer to Note 3 to the financial statements For the year ended 30 June 2019 the Group has adopted NZ IFRS 15 *Revenue from Contracts with Customers* ('NZ IFRS 15'). The adoption of this accounting standard could have impacted how the Group recognises revenue. Our focus has been on ensuring that the treatment of each product offering under the agreements are appropriately accounted for and disclosed within the financial statements. The other area of focus was on the treatment of revenue across a range of customers as each customer has an individual contract. This was an area of audit focus as the application of a new standard requires judgement as does the process to conclude on the treatment of each contact.	Our audit procedures over management's assessment of the impact of NZ IFRS 15 included: — Understanding and assessing management's process for identifying revenue streams and contracts that require assessment. — Verifying a sample of contracts that management completed an assessment of and assessing if we concurred with management's conclusion. — Verifying a sample of contracts that management had not tested and assessing that their treatment should be consistent with the contracts management did test.

Other information

The Directors, on behalf of the Group, are responsible for the other information included in the entity's annual report. Other information included in the annual report includes the Chairman's and Chief Executive's report, and operational and financial reviews. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The annual report is expected to be made available to us after the date of this independent auditor's report. Our responsibility is to read the annual report when it becomes available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Directors.

Use of this independent auditor's report

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

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the Group, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is David Gates.

For and on behalf of

KPMG

KPMG
Wellington

26 August 2019