



Financial Statements

for the six months ended 31 December 2019



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Directors' report

The directors present their report on the consolidated entity consisting of Bathurst Resources Limited (“Bathurst”, “Company”, “Parent” or “BRL”) and the entities it controlled for the six months ended 31 December 2019.

Directors

The following persons were directors of BRL at any time during the period and up to the date of this report:

- Toko Kapea: Non-executive chairman
- Richard Tacon: Executive director
- Russell Middleton: Executive director
- Peter Westerhuis: Non-executive director

Principal activities

BRL's principal activity during the period was the operation of coal mines in the North and South islands of New Zealand.

Dividends

BRL paid a dividend to its shareholders on the 23 October 2019, relating to the 30 June 2019 financial reporting period. The rate per share was AU 0.3¢ and came to a total cost of NZD \$5.5m.

There were no dividends paid or declared relating to the 31 December 2019 interim reporting period.

Financial overview

Note that figures in this section are 100 percent Bathurst and 65 percent BT Mining.

Financial measures	H1 FY20 \$m	H1 FY19 \$m
Revenue ¹	129.3	140.4
EBITDA ²	41.9	54.0
Net profit after tax	14.5	25.4
Cash	33.4	30.6

Export coal pricing has been the key driver of a decrease in revenue and other key financial metrics versus the prior comparative reporting period. The hard coking coal index dropped in H1 FY20 due to:

- a reduction in steel pricing and market confidence due to China's deteriorating economic growth;
- a slowdown in the Indian auto industry market impacting demand in India, with local steel mills feeling financial pressure including major players such as Tata Steel;
- steel production in Japan reducing from a year ago, with a general slowdown in construction demand; and
- no clear guidance on import controls in China which creates uncertainty in the Chinese domestic/seaborn market.

Hedging put in place to help reduce impacts of large movements in export coal pricing has reduced the impact of the price decrease, with a \$3.7m gain (31 December 2018: \$4.3m loss) recorded in the income statement for the six months. A fair value gain of \$2.3m (net of tax) was also recognised in other comprehensive income on hedges that haven't matured.

The domestic business continues to perform well, contributing 45 percent of the consolidated revenue, and 53 percent of EBITDA from operations (excluding corporate).

¹ Coal sales revenue to customers, including realised FX and coal pricing hedges. Unrealised movements in coal pricing and FX hedging go through other comprehensive income.

²Earnings before net finance costs (including interest), tax, depreciation, amortisation, impairment, non-cash fair value movements on deferred consideration and rehabilitation provisions.

Operations overview

Export

Measure	Export H1 FY20	Export H1 FY19
Production (kt) (100% basis)	515	555
Sales (kt) (100% basis)	637	621
Overburden (Bcm 000) (100% basis)	2,105	2,322
Revenue incl. realised hedging (\$'000)	72,361	82,230
EBITDA (\$'000)	23,116	34,938

The average price received for coal sales in H1 FY19 was NZD \$214/t, versus NZD \$187/t in Q1 and NZD \$144/t in Q2 of the current period. This is the key driver for the reduction in financial performance for the export segment year-on-year. To reduce future export sale price exposure, BT Mining continues to contract forward sales with 105kt of hedging in place at 31 December 2019 at an effective average price of NZD \$251/t.

Operations are largely proceeding as expected, apart from additional costs incurred on de-risking the Cypress pit.

Domestic

Measure	Domestic H1 FY20	Domestic H1 FY19
Production (kt) (100% basis)	554	650
Sales (kt) (100% basis)	581	663
Overburden (Bcm 000) (100% basis)	7,105	8,085
Revenue (\$'000)	56,939	58,171
EBITDA (\$'000)	25,891	25,576

Revenue for the domestic business has decreased marginally from the prior period, due to the South Island domestic business losing a customer, and realignment of production to better support strategic customers. The North Island segment saw a marginal increase in revenue driven by an uplift in pricing on coal sales.

EBITDA is consistent to the prior period. This reflects the retraction in sales for the South Island domestic business, offset by increased capitalisation of stripping costs in the North Island segment. This comes from re-evaluation of two key pits after initial pre-production stripping was removed and capitalised, and the capitalisation of stripping costs at the Waipuna West extension.

Key operational targets were achieved for the first six months apart from a shortfall of overburden removal for the Rotowaro mine. This is expected to be resolved in the second half of the financial year.

Overseas joint venture – Crown Mountain project

A further \$4.3m was invested in the six months to 31 December 2019 in the Crown Mountain project, a coking coal exploration project in Canada with joint venture partner Jameson Resources Limited.

This further investment reflects the completion of the second investment tranche of the project, taking ordinary shares held to 20 percent of the project; with the remainder representing an advance on the final investment tranche in exchange for a 1.5 percent equitable share of the project, held in the form of preference shares.

Cash flows

		YTD
Opening cash 30 June		\$38.5m
Operating	EBITDA	\$41.9m
	Working capital	\$3.8m
	Tax	(\$9.3m)
Investing	Deferred consideration	(\$5.0m)
	Crown Mountain	(\$4.3m)
	PPE	(\$5.6m)
	Mining assets including capitalised stripping	(\$15.9m)
Financing	Finance leases	(\$4.8m)
	Dividend	(\$5.5m)
	Other financing	(\$0.4m)
Closing cash 31 December		\$33.4m

One-off items

BRL maiden dividend \$5.5m & Crown Mountain investments \$4.3m.

Mining assets

Capitalised stripping increase largely from the re-evaluation of life of mine for key North Island pits.

Deferred consideration

Majority paid relates to purchase of ex-Solid Energy assets owned by BT Mining.

Debt

The remainder of the convertible notes issued in 2016 to repay outstanding loan facilities, and fund due diligence on the ex-Solid Energy assets (acquired via joint venture BT Mining) matured in July 2019. The note holder elected to convert these to issued shares in the Company.

500 of the convertible notes issued in 2017 to fund the investment in BT Mining were converted to shares during the interim reporting period at the option of the note holder.

The USD subordinated bonds also issued in 2017 to fund the investment in BT Mining had an original maturity date of 1 February 2020. The term was extended for another year after the interim reporting date, so these are classified as current liabilities at 31 December 2019. All other terms remain unchanged.

Authorised for and on behalf of the Board of Directors:



Toko Kapea
Chairman

25 February 2020



Russell Middleton
Executive Director

25 February 2020

Income statement

For the six months ended 31 December 2019

	Notes	Dec 2019 \$'000	Dec 2018 \$'000
Revenue from contracts with customers	3	25,203	28,277
Cost of sales		(20,475)	(19,154)
Gross profit		4,728	9,123
Equity accounted profit	8	16,875	23,964
Other income		72	125
Depreciation		(1,736)	(1,304)
Administrative and other expenses	4	(4,367)	(4,737)
Fair value gain on deferred consideration	9 (b)	734	59
Bad debt write-off	6	(109)	-
Operating profit before tax		16,197	27,230
Finance cost	5	(1,807)	(1,919)
Finance income	5	117	80
Profit before income tax		14,507	25,391
Income tax		-	-
Profit after tax		14,507	25,391
Earnings per share:		Cents	Cents
Basic profit per share		0.85	1.61
Diluted profit per share		0.80	1.41

Statement of comprehensive income

For the six months ended 31 December 2019

	Note		
Profit after tax		14,507	25,391
Other comprehensive income ("OCI") that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(172)	(295)
Share of BT Mining FX hedging	8 (a)	2,335	-
Comprehensive income		16,670	25,096

Balance sheet

As at 31 December 2019

	Notes	Dec 2019 \$'000	Jun 2019 \$'000
Cash and cash equivalents		15,353	20,005
Restricted short-term deposits		4,369	4,030
Trade and other receivables	6	7,436	4,018
Inventories		1,222	1,560
New Zealand emission units		2,550	1,428
Total current assets		30,930	31,041
Property, plant and equipment		19,188	17,239
Mining assets	7	31,654	29,783
Interest in joint ventures	8	91,256	80,828
Crown indemnity		371	371
Other financial assets		142	139
Total non-current assets		142,611	128,360
TOTAL ASSETS		173,541	159,401
Trade and other payables		9,800	7,079
Borrowings	9 (a)	14,150	14,214
Deferred consideration	9 (b)	1,070	1,035
Rehabilitation provisions		1,076	1,328
Total current liabilities		26,096	23,656
Borrowings	9 (a)	8,611	9,297
Deferred consideration	9 (b)	5,118	5,774
Rehabilitation provisions		4,416	4,347
Total non-current liabilities		18,145	19,418
TOTAL LIABILITIES		44,241	43,074
NET ASSETS		129,300	116,327
Contributed equity	10	292,763	286,277
Debt instruments equity component	10	17,622	22,824
Reserves		(30,632)	(33,050)
Accumulated losses		(150,453)	(159,724)
EQUITY		129,300	116,327

For and on behalf of the Board of Directors:



Toko Kapea
Chairman
25 February 2020



Russell Middleton
Executive Director
25 February 2020

Statement of changes in equity

For the six months ended 31 December 2019

		Contributed equity	Debt instruments equity component	Share- based payments	Foreign exchange/ cash flow hedging	Retained earnings	Reorganisation reserve	Total equity
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1 July 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
Comprehensive profit		-	-	-	2,163	14,507	-	16,670
Adjustment to retained earnings from NZ IFRS 16	1	-	-	-	-	284	-	284
Contributions of equity	10	6,486	(5,202)	-	-	-	-	1,284
Share-based payments		-	-	255	-	-	-	255
Dividend	10	-	-	-	-	(5,520)	-	(5,520)
31 Dec 2019		292,763	17,622	548	1,580	(150,453)	(32,760)	129,300

Statement of cash flows

For the six months ended 31 December 2019

	Notes	Dec 2019 \$'000	Dec 2018 \$'000
Cash flows from operating activities			
Receipts from customers		22,029	24,427
Payments to suppliers and employees		(21,209)	(18,926)
Dividend from BT Mining	8	13,000	6,500
Net cash inflow from operating activities		13,820	12,001
Cash flows from investing activities			
Exploration and consenting expenditure		(423)	(121)
Mining assets (including capitalised waste moved in advance)		(3,513)	(4,037)
Property, plant and equipment purchases		(1,182)	(1,418)
Deferred consideration		(480)	(581)
Investment in NWP Coal Canada Limited	8	(4,333)	(7,712)
Other		(3)	(29)
Net cash outflow from investing activities		(9,934)	(13,898)
Cash flows from financing activities			
Interest received		42	50
Interest on finance leases and other finance costs paid		(93)	(142)
Repayment of finance leases		(1,697)	(968)
Interest on debt instruments		(931)	(1,083)
Share buy-backs		-	(1,412)
Dividend		(5,520)	-
Net cash outflow from financing activities		(8,199)	(3,555)
Net decrease in cash			
		(4,313)	(5,452)
Cash and cash equivalents at the beginning of the year		20,005	20,179
Restricted short-term deposits at the beginning of the year		4,030	4,037
Total cash at the end of the year		19,722	18,765

Notes to the Financial Statements

For the six months ended 31 December 2019

1. About our financial statements

General information

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 interim financial statements have been prepared in accordance with the ASX listing rules.

The interim financial statements presented as at and for the six months ended 31 December 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.

These interim financial statements have been approved for issue by the Board of Directors on 25 February 2020.

Basis of preparation

These interim financial statements have been prepared in accordance with New Zealand generally accepted accounting practice ("GAAP"), accounting standards NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the annual financial statements for the year ended 30 June 2019.

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. Comparative information has been changed to match current mapping of costs where applicable.

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.

Standards and interpretations adopted during the year

The financial information presented for the six months ended 31 December 2019 has been prepared using accounting policies consistent with those applied in the 30 June 2019 financial statements, except for the application of one new accounting standard, as detailed below.

New Zealand equivalent to International Financial Reporting Standard 16 ("NZ IFRS 16") – Leases

This standard replaces NZ IAS 17 *Leases* and removes the distinction between operating and finance leases for lessees. This means the Group now recognises most leases (where the Group is a lessee) on the balance sheet, similar to the previous finance lease model. This has resulted in the recognition of right-of-use ("ROU") assets and related lease liability balances. Rental payments for leases previously classified as operating leases, primarily corporate property and yellow goods hire, have moved from being included in operating expenses to depreciation and finance expenses.

The impact on net earnings before income tax of an individual lease over its term remains the same, however, the new standard results in a higher interest expense in the early years of a lease and lower in the later years, compared with the previous straight-line expense profile of an operating lease.

The standard was adopted with effect from 1 July 2019. The Group elected to transition to NZ IFRS 16 retrospectively, with the cumulative effect of initially applying the standard recognised at the date of initial application. This means that there has been no restatement of comparative information. Instead, the Group has recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings at the date of initial application.

The Group also elected to apply the following practical expedients and exemptions on adoption of the standard:

- the recognition exemption for short-term leases (leases with a lease term of up to one year) and leases of low-value assets where appropriate; and
- the practical expedient that states that an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application. This practical expedient is applied to all contracts entered into before the date of initial application.

Notes to the financial statements

For the six months ended 31 December 2019

1. About our financial statements continued

Standards and interpretations adopted during the year continued

A summary of the financial impacts on the Group at 1 July 2019 from the transitional adjustments including equitable share of the impact in BT Mining, and at 31 December 2019 (BRL Group only) are as follows:

	July 2019 \$'000	Dec 2019 \$'000	Total \$'000
Income statement			
Cost of sales (decrease)	-	303	303
Depreciation expense (increase)	-	(430)	(430)
Administrative and other expenses (decrease)	-	122	122
Finance costs (increase)	-	(122)	(122)
Increase in expenses	-	(127)	(127)
Balance sheet			
Investment in BT Mining (decrease)	(113)	-	(113)
Property, plant and equipment (increase)	2,296	(221)	2,075
Current finance lease liabilities (increase)	-	(870)	(870)
Non-current lease liabilities (increase)	(1,899)	964	(935)
Increase to retained earnings	284	(127)	157

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.

	Export \$'000	Domestic \$'000	Corporate \$'000	Total \$'000	Eliminate BT Mining \$'000	Total BRL \$'000
Six months ended 31 December 2019						
Revenue from contracts with customers	105,641	74,027	-	179,668	(154,465)	25,203
Operating profit before tax	23,417	24,780	(7,629)	40,568	(40,935)	³16,197
Net finance costs	(128)	(409)	(6,695)	(7,232)	5,542	(1,690)
Income tax expense	-	-	(11,652)	(11,652)	11,652	-
Comprehensive income after tax	23,289	24,371	(20,183)	26,847	(29,076)	³16,670
Depreciation & amortisation	9,512	11,041	391	20,944	(17,143)	3,801
EBITDA ⁴	35,563	35,976	(8,438)	63,101	(60,712)	2,389

³ Total BRL operating profit and comprehensive income does not equal the sum of Total minus elimination of BT Mining, as BRL's equity share of BT Mining's profit which was \$16.6m for the six months to 31 December 2019 is added back; BRL's equity share of BT Mining's fair value gain on hedging instruments through other comprehensive income of \$2.3m is also added back to comprehensive income.

⁴ Earnings before net finance costs (including interest), tax, depreciation, amortisation, impairment, fair value movement on deferred consideration and rehabilitation provisions.

Notes to the financial statements

For the six months ended 31 December 2019

2. Segment information continued

	Export	Domestic	Corporate	Total	Eliminate BT Mining	Total BRL
Six months ended 31 December 2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from contracts with customers	133,170	74,311	-	207,481	(179,204)	28,277
Operating profit before tax	47,665	21,937	(7,228)	62,374	(59,108)	§27,230
Fair value movements	-	-	(3,439)	(3,439)	(3,439)	-
Net finance costs	(849)	(526)	(2,589)	(3,964)	2,125	(1,839)
Income tax expense	-	-	(16,677)	(16,677)	16,677	-
Comprehensive income	46,816	21,411	(30,228)	37,999	(36,867)	§25,096
Depreciation & amortisation	4,675	10,855	101	15,631	(12,451)	3,180
EBITDA	53,750	33,254	(7,480)	79,524	(72,940)	6,584

3. Revenue from contracts with customers

	Dec 2019 \$'000	Dec 2018 \$'000
Coal sales	17,823	20,699
Freight and ash disposal revenue	7,380	7,578
Sales revenue from contracts with customers	25,203	28,277

4. Administrative and other expenses

Administrative and other expenses include the following items:

Remuneration of auditors	101	109
Directors fees	120	108
Legal fees	511	861
Consultants	546	334
Employee benefit expense	1,324	1,206
Rent	35	182
Share-based payments	255	471

⁵ 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 equity share of BT Mining's profit is added back. This was \$24.0m for the six months to 31 December 2018.

Notes to the financial statements

For the six months ended 31 December 2019

5. Net finance costs

	Notes	Dec 2019 \$'000	Dec 2018 \$'000
Interest income		9	80
Realised foreign exchange gain		44	-
Unrealised foreign exchange gain on USD bonds		64	-
Total finance income		117	80
Interest expense on finance leases		(248)	(190)
Interest expense on debt instruments		(1,094)	(1,091)
Realised foreign exchange loss		-	(48)
Unrealised foreign exchange loss on debt instruments		-	(97)
Rehabilitation provisions unwinding of discount		(72)	(182)
Deferred consideration unwinding of discount	9 (b)	(393)	(311)
Total finance costs		(1,807)	(1,919)
Total net finance costs		(1,690)	(1,839)

6. Financial assets

Trade and other receivables

Included in trade and other receivables is \$0.8m related party receivables from joint venture BT Mining (\$0.7m at 30 June 2019). The bad debt write-off incurred during the period relates to historical balances from joint venture Bathurst Industrial Coal Limited which is in the process of being wound-up.

7. Mining assets

	Dec 2019 \$'000	Jun 2019 \$'000
Exploration and evaluation assets		
Opening balance	680	312
Expenditure capitalised	423	368
Total exploration and evaluation assets	1,103	680

Notes to the financial statements

For the six months ended 31 December 2019

7. Mining assets continued

	Dec 2019 \$'000	Jun 2019 \$'000
Mining licences/permits and property assets		
Opening balance	29,103	25,995
Expenditure capitalised	718	1,209
Amortisation	(2,065)	(4,285)
Abandonment provision movement	-	(915)
Waste moved in advance capitalised	2,795	7,099
Total mining licences/permits and property assets	30,551	29,103
Total mining assets	31,654	29,783

8. Interest in joint ventures

Interest in BT Mining Limited ("BT Mining")	76,510	70,723
Interest in NWP Coal Canada Limited ("NWP")	14,746	10,105
Total interest in joint ventures	91,256	80,828

BT Mining

(a) Balances held in BT Mining		
Equity investment	16,250	16,250
Share of retained earnings net of dividends received	60,260	54,473
Total interest in BT Mining	76,510	70,723
Opening balance	70,723	45,436
Receipt of dividend	(13,000)	(19,500)
Share of BT Mining profit	16,565	45,300
Share of adjustment to retained earnings on adoption of NZ IFRS 16	(113)	-
Share of BT Mining FX hedging through OCI	2,335	(513)
Closing balance	76,510	70,723

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.

Notes to the financial statements

For the six months ended 31 December 2019

8. Interest in joint ventures continued

BT Mining continued

(b) BT Mining balance sheet - unaudited	Dec 2019 \$'000	Jun 2019 \$'000
Cash	18,842	22,283
Restricted short-term deposits	2,133	-
Trade and other receivables	39,537	46,749
Inventories	29,503	32,694
New Zealand emission units	3,295	2,975
Derivative assets	4,201	-
Current assets	97,511	104,701
Property, plant and equipment	108,793	72,976
Mining assets	53,528	41,961
Crown indemnity	53,911	53,993
Other financial assets	742	742
Deferred tax asset	2,041	2,041
Non-current assets	219,015	171,713
TOTAL ASSETS	316,526	276,414
Trade and other payables	29,588	26,854
Tax payable	21,935	24,894
Borrowings	10,796	2,970
Derivative liabilities	-	789
Deferred consideration	5,808	12,932
Provisions	6,447	6,447
Current liabilities	74,574	74,886
Borrowings	36,552	6,876
Deferred consideration	13,747	12,806
Provisions	73,947	73,042
Non-current liabilities	124,246	92,724
TOTAL LIABILITIES	198,820	167,610
NET ASSETS	117,706	108,804
Share capital	25,000	25,000
Reserves	2,804	(789)
Retained earnings net of dividends paid	89,902	84,593
EQUITY	117,706	108,804

Notes to the financial statements

For the six months ended 31 December 2019

8. Interest in joint ventures continued

NWP

	Dec 2019 \$'000	Jun 2019 \$'000
Balances held in NWP		
Equity investment	14,438	10,105
20 percent equitable share of profit	308	-
Total interest in NWP	14,746	10,105

The investment in NWP is 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 three tranches. The first two tranches which represent a total investment of CAD \$11.5m in exchange for a 20 percent equity stake in NWP are complete. A further CAD \$1.2m has also been invested as part of the final tranche in exchange for preference shares in NWP.

The CAD \$1.2m investment in exchange for preference shares is done on a cash call basis at the request of NWP. If BRL exercises the final tranche option, further investment required will equal CAD \$110.0m minus funds invested in the preference shares. 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.

NWP summarised financial information - unaudited

Cash	983	1,054
Other current assets	1,991	286
Exploration and evaluation assets	27,063	23,270
Other non-current assets	1,263	1,270
TOTAL ASSETS	31,300	25,880
Current liabilities	270	352
Non-current financial liabilities	1,580	1,941
TOTAL LIABILITIES	1,850	2,293
NET ASSETS	29,450	23,587

Notes to the financial statements

For the six months ended 31 December 2019

9. Financial liabilities

	Dec 2019 \$'000	Jun 2019 \$'000
(a) Borrowings		
Current		
<i>Secured</i>		
Lease liabilities	2,264	1,418
Subordinated bonds	11,728	11,790
Bank borrowings backing property, plant and equipment	158	287
<i>Unsecured</i>		
Convertible notes	-	719
Total current borrowings	14,150	14,214
Non-current		
<i>Secured</i>		
Lease liabilities	2,291	2,470
<i>Unsecured</i>		
Convertible notes	6,320	6,827
Total non-current borrowings	8,611	9,297
Total borrowings	22,761	23,511

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	\$6.4m	8%	1/02/2017	1/02/2021	26,667
Subordinated bonds	USD	\$7.9m	10%	1/02/2017	1/02/2021	n/a

All terms of the debt instruments are the same as noted in the 30 June 2019 financial statements, apart from an extension to the term of the subordinated bonds. The maturity on the subordinated bonds was extended by one year, after the balance sheet date. Hence, they are classified as current liabilities as at 31 December. The extension to the maturity terms was agreed by all bond holders. All other terms of the bonds as detailed in the Group's most recent annual financial statements remain unchanged.

Convertible notes conversions

During the period, the remainder of the July 2016 convertible notes issue (face value \$0.7m) were converted to shares on maturity of the notes on 22 July 2019. 500 of the February 2017 convertible notes issue (face value \$0.6m), were also converted to shares at the election of the note holders. The proportionate value sitting in borrowings and in equity (debt instruments – equity component) were transferred to issued capital. For further details refer to note 10.

Technical breach

There was a technical breach to the bond terms, in the forms of distributions made to shareholders without prior written consent of the majority of the bond holders. This meant that a majority of bond holders could have elected these bonds to be repaid before the maturity date. These bonds however as noted above have had their term extended.

Notes to the financial statements

For the six months ended 31 December 2019

9. Financial liabilities continued

(a) Borrowings continued

The fair value of the Group's debt instruments which are recorded at amortised cost is noted below:

Instrument	Dec 2019		Jun 2019	
	Fair value \$'000	Carrying value \$'000	Fair value \$'000	Carrying value \$'000
Subordinated bonds	12,258	11,728	12,309	11,790
Convertible notes	6,581	6,320	7,858	7,546

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

(b) Deferred consideration	Dec 2019 \$'000	Jun 2019 \$'000
Current		
Acquisition of subsidiary	1,070	1,035
Non-current		
Acquisition of subsidiary	5,118	5,774
Total deferred consideration	6,188	6,809
<i>Movement</i>		
Opening balance	6,809	7,608
Unwinding of discount	393	623
Fair value adjustment	(734)	(41)
Consideration paid during the year net of movement in accruals	(280)	(1,381)
Closing balance	6,188	6,809

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 12.

Notes to the financial statements

For the six months ended 31 December 2019

9. Financial liabilities continued

(b) Deferred consideration continued

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.

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.

10. Equity

	December 2019 Number of shares \$'000	June 2019 Number of shares \$'000
(a) Ordinary fully paid shares		
Opening balance	1,665,177	1,513,164
Issue of shares from conversion of convertible notes	41,788	167,198
Issue of shares from vesting of performance rights	-	16,131
Cancellation of shares from buy-backs	-	(31,316)
Closing balance	1,706,965	1,665,177

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.

Convertible notes conversions

During the period, 626 of the July 2016 issue of convertible notes were converted to shares on the maturity of the notes at the option of the note holder, at \$1,150 per note and 2.53¢ per share (June 2019: 2,857 notes). 500 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 (June 2019: 1,400 notes).

Dividends

The Company paid a dividend to its shareholders on the 23 October 2019, relating to the 30 June 2019 financial reporting period. The rate per share was AU 0.3¢ and came to a total cost of NZD \$5.5m.

Notes to the financial statements

For the six months ended 31 December 2019

10. Equity continued

(b) Contributed equity	Dec 2019 \$'000	Jun 2019 \$'000
Opening balance	286,277	263,179
Issue of shares from conversion of convertible notes	6,486	25,780
Issue of shares from vesting of performance rights	-	1,543
Share buy-backs	-	(4,225)
Closing balance	292,763	286,277

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	22,824	43,788
Transfer to contributed equity on conversion of convertible notes	(5,202)	(20,964)
Closing balance	17,622	22,824

11. Related party transactions

The Group's related parties include directors, the senior leadership team, and joint ventures BT Mining and NWP. Material transactions with the Group's joint ventures are disclosed in note 8. For the six months to 31 December 2019, non-executive directors' fees including share based payments were \$157k (2018: \$147k); and short-term benefits in the form of salary and bonuses, as well as share based payments to the senior leadership team (including executive directors) were \$1.9m (2018: \$1.8m).

12. Contingent 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 9 (b). 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 the first quarter of 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.

13. 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.

One year extension to term of USD subordinated bonds

An agreement was reached with all bond holders to extend the maturity on the Company's USD subordinated bonds ("Bonds") for one year. The Bonds now mature on 1 February 2021. All other terms of the Bonds as detailed in the 30 June 2019 annual financial statements remain unchanged.

Additional information

For the six months ended 31 December 2019

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.

Consolidated income statement

	Dec 2019 \$'000	Dec 2018 \$'000
Revenue from contracts with customers	125,605	144,760
Realised FX and coal price hedging	3,695	(4,331)
Less: cost of sales	(85,264)	(84,138)
Gross profit	44,036	56,291
Other income	119	269
Equity share of NWP profit	310	-
Depreciation	(8,503)	(4,305)
Administrative and other expenses	(10,346)	(10,627)
Fair value on deferred consideration	734	59
Impairment losses	(109)	-
Operating profit before tax	26,241	41,687
Fair value movement on derivatives	-	(2,235)
Finance cost	(5,508)	(3,465)
Finance income	216	244
Profit before income tax	20,949	36,231
Income tax expense	(6,442)	(10,840)
Profit after tax	14,507	25,391

Additional information

For the six months ended 31 December 2019

Consolidated balance sheet

	Dec 2019 \$'000	June 2019 \$'000
Cash and cash equivalents	27,600	34,489
Restricted short-term deposits	5,755	4,030
Trade and other receivables	33,138	34,405
Inventories	20,399	22,812
New Zealand emission units	4,692	3,362
Derivative assets	2,731	-
Total current assets	94,315	99,098
Property, plant and equipment ("PPE")	89,903	64,673
Mining assets	66,447	57,058
Crown indemnity	35,413	35,466
Deferred tax asset	1,327	1,327
Interest in joint ventures	14,746	10,105
Other financial assets	624	621
Total non-current assets	208,460	169,250
TOTAL ASSETS	302,775	268,348
Trade and other payables	29,032	24,534
Tax payable	14,258	16,181
Borrowings	21,167	16,145
Derivative liabilities	-	513
Deferred consideration	4,845	9,441
Provisions	5,267	5,519
Total current liabilities	74,569	72,333
Borrowings	32,370	13,766
Deferred consideration	14,054	14,098
Provisions	52,482	51,824
Total non-current liabilities	98,906	79,688
TOTAL LIABILITIES	173,475	152,021
NET ASSETS	129,300	116,327
Contributed equity	292,763	286,277
Debt instruments equity component	17,622	22,824
Reserves	(30,632)	(33,050)
Retained earnings net of dividends	(150,453)	(159,724)
EQUITY	129,300	116,327

Additional information

For the six months ended 31 December 2019

Consolidated cash flow

	Dec 2019 \$'000	Dec 2018 \$'000
Cash flows from operating activities		
Receipts from customers	133,063	143,210
Payments to suppliers and employees	(87,468)	(89,965)
Taxes paid	(9,273)	(9,149)
Net inflow from operating activities	36,322	44,096
Cash flows from investing activities		
Exploration and evaluation expenditure	(756)	(305)
Mining assets (incl. elevated stripping)	(15,123)	(14,854)
PPE purchases	(5,624)	(16,028)
Proceeds from disposal of PPE	47	179
Payment of deferred consideration	(4,993)	(4,576)
Investment in NWP	(4,333)	(7,712)
Other	(3)	(28)
Net outflow from investing activities	(30,785)	(43,324)
Cash flows from financing activities		
Drawdown on finance leases	367	4,485
Drawdown on borrowings	1,018	-
Repayment of finance leases	(5,153)	(1,207)
Interest on debt instruments	(1,305)	(1,083)
Interest received	141	214
Interest paid on finance leases	(185)	(366)
Finance facility fees	(64)	(34)
Share buy-backs	-	(1,412)
Dividend	(5,520)	-
Net (outflow)/inflow from financing activities	(10,701)	597
Net (decrease)/increase in cash and cash equivalents	(5,164)	1,369
Opening cash and cash equivalents including restricted short-term deposits	38,519	29,273
Closing cash and cash equivalents	33,355	30,642



Independent auditor's review report

To the shareholders of Bathurst Resources Limited

Report on the interim consolidated financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements on pages 6 to 20 do not:

- i. present fairly in all material respects the Group's financial position as at 31 December 2019 and its financial performance and cash flows for the six month period ended on that date; and
- ii. comply with NZ IAS 34 Interim Financial Reporting.

We have completed a review of the accompanying interim consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement, statements of other comprehensive income, changes in equity and cash flows for the six month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for conclusion

A review of interim consolidated financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of Bathurst Resources Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

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 12 in the interim 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.

No liability has been recognised as at 31 December 2019 based on legal advice that it is more likely than not that the company will be successful in the Court of Appeal. Our opinion is not modified in respect of this matter.

Use of this independent review report

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent review 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 review work, this report, or any of the opinions we have formed.

Responsibilities of the directors for the interim consolidated financial statements

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

- the preparation and fair presentation of the interim consolidated financial statements in accordance with NZ IAS 34 *Interim Financial Reporting*;
- implementing necessary internal control to enable the preparation of interim consolidated financial statements that are 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.



Independent auditor's review report

Auditor's responsibilities for the review of the interim consolidated financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting*.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these interim consolidated financial statements.

This description forms part of our independent review report.

A handwritten signature of the KPMG firm, written in blue ink, appearing as 'KPMG' with a stylized flourish at the end.

KPMG
Wellington

25 February 2020