BATHURST
RESOURCES LIMITED

Financial Statements

for the year ended 30 June 2020

Contents

Authorised for and on behalf of the Board of Directors:

Toko Kapea
Chairman

28 August 2020

Russell Middleton
Executive director

28 August 2020

Income statement

For the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Revenue from contracts with customers	3	47,011	52,744
Cost of sales	4	(36,238)	(38,655)
Gross profit		**10,773**	**14,089**
Equity accounted profit	13	30,408	45,300
Other income		127	38
Depreciation	10	(3,618)	(2,624)
Administrative and other expenses	5	(8,103)	(8,499)
Movement in deferred consideration	15 (c)	(61,686)	41
(Loss)/gain on disposal of fixed assets		(13)	3
Impairment losses	8	(325)	-
Operating (loss)/profit before tax		**(32,437)**	**48,348**
Finance cost	6	(15,011)	(3,545)
Finance income	6	22	157
(Loss)/profit before income tax		**(47,426)**	**44,960**
Income tax benefit	7	-	-
(Loss)/profit after tax		**(47,426)**	**44,960**
Earnings per share:		**Cents**	**Cents**
Basic (loss)/profit per share	19	(2.78)	2.83
Diluted (loss)/profit per share	19	(2.78)	2.57

Statement of comprehensive income

For the year ended 30 June 2020

(Loss)/profit after tax		**(47,426)**	**44,960**
Other comprehensive income ("OCI")			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(274)	79
Share of BT Mining FX hedging through OCI	13	1,805	(513)
Comprehensive (loss)/income		**(45,895)**	**44,526**

Balance sheet

As at 30 June 2020

	Notes	2020 $'000	2019 $'000
Cash and cash equivalents		4,495	20,005
Restricted short-term deposits		4,193	4,030
Trade and other receivables	9 (a)	4,012	4,018
Inventories		1,407	1,560
New Zealand emission units		1,011	1,428
Crown indemnity	16	291	-
Total current assets		**15,409**	**31,041**
Property, plant and equipment	10	17,987	17,239
Mining assets	11	34,518	29,783
Interest in joint ventures	13	105,844	80,828
Crown indemnity	16	582	371
Other financial assets		117	139
Total non-current assets		**159,048**	**128,360**
TOTAL ASSETS		**174,457**	**159,401**
Trade and other payables	15 (a)	6,716	7,079
Borrowings	15 (b)	13,881	14,214
Deferred consideration	15 (c)	74,361	1,035
Rehabilitation provisions	16	1,145	1,328
Total current liabilities		**96,103**	**23,656**
Borrowings	15 (b)	1,758	9,297
Deferred consideration	15 (c)	4,956	5,774
Rehabilitation provisions	16	4,721	4,347
Total non-current liabilities		**11,435**	**19,418**
TOTAL LIABILITIES		**107,538**	**43,074**
NET ASSETS		**66,919**	**116,327**
Contributed equity	17	293,107	286,277
Debt instruments equity component	17	17,622	22,824
Reserves	18	(31,455)	(33,050)
Accumulated losses		(212,355)	(159,724)
EQUITY		**66,919**	**116,327**

For and on behalf of the Board of Directors:

Toko Kapea
Chairman
28 August 2020

Russell Middleton
Executive Director
28 August 2020

Statement of changes in equity

For the year ended 30 June 2020

	Note	Contributed equity $'000	Debt instruments equity component $'000	Share-based payments $'000	Foreign exchange/ hedging $'000	Retained earnings $'000	Reorganisation reserve $'000	Total equity $'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 rights		1,543	-	(1,543)	-	-	-	-
30 June 2019		**286,277**	**22,824**	**293**	**(583)**	**(159,724)**	**(32,760)**	**116,327**
Comprehensive loss		-	-	-	1,531	(47,426)	-	(45,895)
NZ IFRS 16	1	-	-	-	-	315	-	315
Contributions of equity	17	6,486	(5,202)	-	-	-	-	1,284
Share-based payments		-	-	408	-	-	-	408
Vesting of rights		344	-	(344)	-	-	-	-
Dividend	17	-	-	-	-	(5,520)	-	(5,520)
30 June 2020		**293,107**	**17,622**	**357**	**948**	**(212,355)**	**(32,760)**	**66,919**

Statement of cash flows

For the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		47,361	52,741
Payments to suppliers and employees		(40,231)	(41,944)
Dividend from BT Mining	13	13,000	19,500
Net cash inflow from operating activities	**20**	**20,130**	**30,297**
Cash flows from investing activities			
Exploration and consenting expenditure		(1,189)	(370)
Mining assets (including capitalised waste moved in advance)		(7,030)	(8,307)
Property, plant and equipment purchases		(2,697)	(2,342)
Proceeds from disposal of property, plant and equipment		-	3
Deferred consideration		(950)	(1,161)
Investment in NWP Coal Canada Limited		(6,146)	(10,105)
Other		(178)	22
Net cash outflow from investing activities		**(18,190)**	**(22,260)**
Cash flows from financing activities			
Dividend		(5,520)	-
Interest received		57	130
Other finance costs paid		(383)	-
Interest on leases		(242)	(264)
Repayment of leases		(2,641)	(1,721)
Drawdown on leases		208	-
Interest on debt instruments		(2,395)	(2,138)
Debt instrument principal repayment	15 (b)	(6,371)	-
Share buy-backs		-	(4,225)
Net cash outflow from financing activities		**(17,287)**	**(8,218)**
Net decrease in cash		**(15,347)**	**(181)**
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		**8,688**	**24,035**

Notes to the financial statements

For the year ended 30 June 2020

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 2020 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 financial statements have been approved for issue by the Board of Directors on 28 August 2020.

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.

Material uncertainty related to going concern

As at 30 June 2020, the Group's current liabilities exceeded its current assets by $80.7m. This gap is primarily made up of:

- A performance payment payable to L&M Coal Holdings Limited ("L&M") as a consequence of a judgment in the High Court of New Zealand of $73.2m (refer note 15 (c) for further information).
- Borrowings in the form of USD subordinated bonds and convertible notes in the amount of $12.4m, which were previously issued to fund the investment in BT Mining Limited (refer note 15 (b) for further information).

Operating activities including receipt of dividends from BT Mining have previously contributed positive operating cashflows, and directors expect the same for future years as modelled in the Group's forecasts. The directors expect to be able to meet BRL's obligations from the normal course of business with regards to the USD subordinated bonds. If the convertible notes are not converted to shares by the note holders, directors believe there is sufficient flexibility to manage the repayment of these from the ordinary course of business also.

There is currently a material uncertainty as to whether and how BRL will be able to fulfil its obligations to L&M, due to the quantum of the debt owed per the judgment. BRL has been granted leave to appeal the outcome of the judgment in the Supreme Court of New Zealand and this is scheduled to be heard in early October 2020. If L&M were to demand payment of the debt before this hearing BRL could seek a stay from the Supreme Court. If BRL is successful in having the judgment overturned, the debt will be no longer payable.

If BRL is not successful in its appeal, the directors will continue to pursue other courses of action to meet this debt. The directors have been and are continuing to assess a full range of options, including seeking to resolve this debt through a negotiated settlement (including payment terms) with L&M, bank financing and raising capital through debt and/or equity. Whilst the directors are confident that this debt can be satisfactorily resolved through the above proposals, there cannot be certainty of this nor of L&M allowing BRL sufficient time to realise these proposals, at the date of approving these financial statements. This casts significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the material uncertainty noted above, directors believe that the financial statements can be prepared on the going concern assumption for the following reasons:

- The assets of BRL exceed its liabilities and as such the delay in resolving this matter with L&M does not prejudice BRL's creditors.
- Discussions with L&M up to the date of signing these financial statements have been co-operative and remain ongoing.
- Preliminary work has been well progressed in relation to potential alternative solutions if BRL is not successful in its appeal at the Supreme Court of New Zealand. The directors believe BRL is well set to progress with these workstreams if necessary.
- BRL has received legal advice that has led the directors to believe that there is a reasonable prospect of success in the appeal to the Supreme Court of New Zealand.

Notes to the financial statements

For the year ended 30 June 2020

1. About our financial statements continued

Measurement basis

These financial statements have been prepared 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. The impact of the new leasing standard (detailed on page 9) has been excluded from the cash flow statement so that transactions relating to capital purchases reflect the real underlying cash value.

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

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

There are no new accounting standards issued but not yet effective, that will have an impact on the Group.

Standards and interpretations adopted during the year

The financial information presented for the year ended 30 June 2020 has been prepared using accounting policies consistent with those applied in the 30 June 2019 financial statements, except for the application of a new leasing standard as detailed below.

Notes to the financial statements

For the year ended 30 June 2020

1. About our financial statements continued

Standards and interpretations adopted during the year continued

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 interest 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.

NZ IFRS 16 was adopted with effect from 1 July 2019. The Group elected to transition to NZ IFRS 16 under the modified retrospective approach, 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.

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 30 June 2020 (BRL Group only) are as follows:

Income statement	**2019 $'000**	**2020 $'000**	**Total $'000**
Cost of sales (decrease)	-	630	630
Depreciation expense (increase)	-	(945)	(945)
Administrative and other expenses (decrease)	-	245	245
Finance costs (increase)	-	(84)	(84)
Increase in expenses	**-**	**(154)**	**(154)**
Balance sheet			
Investment in BT Mining (decrease)	(82)	-	(82)
Property, plant and equipment increase/(decrease)	2,296	(737)	1,559
Current lease liabilities (increase)	-	(407)	(407)
Non-current lease liabilities (increase)/decrease	(1,899)	990	(909)
Increase/(decrease) in retained earnings	**315**	**(154)**	**161**

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.

Two BRL customers met the reporting threshold of 10 percent of BRL's operating revenue in the year to 30 June 2020, contributing $20.2m and $9.2m (2019: three customers, $18.8m, $8.2m and $6.6m).

Notes to the financial statements

For the year ended 30 June 2020

2. Segment information continued

Year ended 30 June 2020	Export $'000	Domestic $'000	Corporate $'000	Total $'000	Eliminate BT Mining $'000	Total BRL $'000
Revenue from contracts with customers	175,307	146,479	-	321,786	(274,775)	47,011
Operating (loss)/profit before tax	**44,679**	**41,179**	**(81,505)**	**4,353**	**(66,887)**	**(32,437)**[1]
Net finance costs	(2,034)	(682)	(20,562)	(23,278)	8,289	(14,989)
Income tax expense	-	-	(12,295)	(12,295)	12,295	-
Comprehensive (loss)/income after tax	**40,840**	**39,006**	**(106,758)**	**(26,912)**	**(49,080)**	**(45,895)**[1]
Depreciation & amortisation	19,453	22,830	779	43,062	(35,975)	7,087
EBITDA[2]	65,579	64,519	(15,650)	114,448	(107,638)	6,810
Year ended 30 June 2019						
Revenue from contracts with customers	265,858	152,542	-	418,400	(365,656)	52,744
Operating profit before tax	**78,412**	**47,060**	**(15,340)**	**110,132**	**(107,084)**	**48,348**[1]
Fair value movements	-	-	(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)**	**44,526**[1]
Depreciation & amortisation	11,827	22,575	301	34,703	(27,794)	6,909
EBITDA	103,647	70,245	(15,352)	158,540	(148,345)	10,195

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

	2020 $'000	2019 $'000
Coal sales	33,454	38,186
Freight and ash disposal revenue	13,557	14,558
Sales revenue from contracts with customers	**47,011**	**52,744**

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

[2] 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 year ended 30 June 2020

3. Revenue from contracts with customers continued

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

	2020 $'000	2019 $'000
Raw materials, mining costs and consumables used	10,082	9,739
Freight costs	12,052	14,186
Mine labour costs	10,416	10,647
Amortisation expenses	3,469	4,285
Changes in inventories of finished goods and work in progress	219	(202)
Total cost of sales	**36,238**	**38,655**

5. Administrative and other expenses

Administrative and other expenses include the following items:

Remuneration of auditors	220	176
Directors fees	238	208
Legal fees	1,397	1,213
Consultants	916	841
Employee benefit expense	2,238	2,181
Rent	70	366
Share-based payments	408	764

Included in remuneration of auditors is $40k relating to the half year review and $180k to end of year audit fees.

Notes to the financial statements

For the year ended 30 June 2020

6. Net finance costs

		2020 $'000	2019 $'000
Interest income		22	157
Total finance income		**22**	**157**
Interest on deferred consideration	15 (c)	(10,983)	-
Interest expense on finance leases		(242)	(265)
Interest expense on debt instruments		(1,978)	(2,094)
Realised foreign exchange loss		(63)	(42)
Unrealised foreign exchange loss on debt instruments		(716)	(62)
Rehabilitation provisions unwinding of discount	16	(72)	(365)
Deferred consideration unwinding of discount	15 (c)	(785)	(623)
Other finance costs		(172)	(94)
Total finance costs		**(15,011)**	**(3,545)**
Total net finance costs		**(14,989)**	**(3,388)**

7. Income tax benefit

(a) Income tax benefit		
Current tax	784	(2,594)
Deferred tax	(784)	2,594
Income tax benefit	**-**	**-**
Reconciliation of income tax benefit to tax payable		
(Loss)/profit before income tax	(47,426)	44,960
Tax at the standard New Zealand rate of 28 percent	(13,279)	12,589
Tax effects of amounts not assessable in calculating taxable income:		
Share of joint venture equity profit	(8,516)	(12,684)
Dividend from BT Mining	5,056	7,583
Other permanent adjustments including movement on deferred consideration	17,553	7,243
Other deferred tax movements	(814)	(245)
Income tax benefit	**-**	**-**

(b) Imputation credits		
Opening balance imputation credit account	12,662	5,055
Imputation credits attached to dividends received and other items	5,033	7,607
Imputation credits used on dividend paid to shareholders	(2,118)	-
Imputation credits available for use in future periods	**15,577**	**12,662**

7. Income tax benefit continued

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	2020 $'000	2019 $'000
Bad-debt write-off	9	(109)	-
Impairment of property, plant and equipment	10	(216)	-
Impairment losses		**(325)**	**-**

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 2020. The impairment of property, plant and equipment relates to the write-down of an individual land purchase to its expected recoverable value and does not indicate a wider impairment issue on the CGU as a whole.

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 have no immediate plans to reinstate the project. The CGU remains fully impaired at 30 June 2020.

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 2020.

8. Impairment continued

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	2020 $'000	2019 $'000
Trade receivables from contracts with customers	2,893	3,384
Less: provision on receivable from joint venture Bathurst Industrial Coal Limited	-	(500)
Receivable from BT Mining	293	714
Other receivables and prepayments	826	420
Total trade and other receivables	**4,012**	**4,018**

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.

The Bathurst Industrial Coal Limited debtors balance and associated provision was reversed during the year, leading to the bad-debt write off showing in note 8.

9. Financial assets continued

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. 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. 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. Restricted cash deposits are sureties held backing provisions for rehabilitation.

Crown indemnity receivable

The crown indemnity receivable is carried at the lower of the indemnity escrow limit and the rehabilitation provision limit on a 'mine by mine' basis.

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

Notes to the financial statements

For the year ended 30 June 2020

10. Property, plant and equipment

Year ended 30 June 2020	Freehold land $'000	Buildings $'000	Mine infrastructure $'000	Plant & machinery $'000	Furniture and fittings $'000	Work in progress $'000	Total $'000
Opening net book value	**2,328**	**911**	**139**	**12,787**	**589**	**485**	**17,239**
Additions including NZ IFRS 16	88	701	-	1,360	49	2,221	4,419
Transfers	305	342	-	1,029	114	(1,790)	-
Disposals	-	-	-	(83)	(49)	(102)	(234)
Depreciation including NZ IFRS 16	(12)	(265)	(14)	(3,136)	(191)	-	(3,618)
NZ IFRS 16 transitional adjustment	-	-	-	397	-	-	397
Impairment	-	-	-	-	-	(216)	(216)
Closing net book value	**2,709**	**1,689**	**125**	**12,354**	**512**	**598**	**17,987**
As at 30 June 2020							
Cost	16,178	7,460	2,913	31,917	2,982	12,938	74,388
Accumulated write-downs	(13,469)	(5,771)	(2,788)	(19,563)	(2,470)	(12,340)	(56,401)
Closing net book value	**2,709**	**1,689**	**125**	**12,354**	**512**	**598**	**17,987**
Year ended 30 June 2019							
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)
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 write-downs	(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**

The value of right-of-use (leased) assets included in property, plant and equipment are noted below:

Year ended 30 June 2020	Freehold land $'000	Buildings $'000	Plant & machinery $'000	Furniture and fittings $'000	Total $'000
Opening net book value	**-**	**-**	**4,922**	**-**	**4,922**
Additions	88	701	1,272	46	2,107
Depreciation	(12)	(197)	(1,648)	(17)	(1,874)
Transitional adjustment from NZ IFRS 16	-	-	397	-	397
Closing net book value	**76**	**504**	**4,943**	**29**	**5,552**

Notes to the financial statements

For the year ended 30 June 2020

10. Property, plant and equipment continued

Accounting policy

Leases

The Group assess whether a contract is or contains a lease at inception of a contract. The Group recognises a right-of-use ("ROU") asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (lease terms of 12 months or less) and leases valued at less than $10k. Lease payments associated with these leases are recognised as an expense on a straight-line basis. ROU assets for the Group primarily consist of corporate property and yellow goods hire and have an average term of 3.35 years.

The determination of whether an arrangement is, or contains, a lease is based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group must also have the right to obtain substantially all of the economic benefits from use of the asset and have the right to direct the use of the asset.

The Group recognises a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability plus any initial direct costs incurred and an estimate of costs to dismantle or remove or restore the asset. ROU assets are subsequently measured at cost less accumulated depreciation and impairment losses, being depreciated over the shorter of the estimated useful life of the asset or the lease term.

The corresponding lease liability is initially measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate which ranges from 4.46% to 6.51% dependent on what type of asset the lease relates to and the life of the asset. Subsequently, the lease liability is adjusted to reflect interest on the lease liability (using the effective interest method) and lease payments made.

The Group applies IAS 36 *Impairment of Assets* to determine whether a ROU asset is impaired.

Estimated useful lives for ROU assets are the same as other assets noted below, unless noted otherwise.

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	6 - 25 years (3 – 5 years for ROU assets)
• Mine infrastructure	3 – 20 years
• Plant and machinery	2 – 25 years
• Leased land	7 – 8 years
• Furniture, fittings and equipment	2 – 12 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.

Notes to the financial statements

For the year ended 30 June 2020

11. Mining assets

Exploration and evaluation assets	2020 $'000	2019 $'000
Opening balance	**680**	**312**
Expenditure capitalised	1,189	368
Total exploration and evaluation assets	**1,869**	**680**
Mining licences/permits and property assets		
Opening balance	**29,103**	**25,995**
Expenditure capitalised	1,159	1,209
Amortisation	(3,469)	(4,285)
Abandonment provision movement	-	(915)
Waste moved in advance capitalised	5,856	7,099
Total mining licences/permits and property assets	**32,649**	**29,103**
Total mining assets	**34,518**	**29,783**

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.

Notes to the financial statements

For the year ended 30 June 2020

12. Investment in subsidiaries

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

			Equity holding	
Name of entity	**Country of incorporation**	**Class of shares**	**2020 %**	**2019 %**
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 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).

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

	2020 $'000	2019 $'000
Interest in BT Mining Limited ("BT Mining")	89,543	70,723
Interest in NWP Coal Canada Limited ("NWP")	16,301	10,105
Total interest in joint ventures	**105,844**	**80,828**

BT Mining

(a) Balances held in BT Mining		
Equity investment	16,250	16,250
Share of retained earnings net of dividends received	73,293	54,473
Total interest in BT Mining	**89,543**	**70,723**
Opening balance	**70,723**	**45,436**
Receipt of dividend	(13,000)	(19,500)
Share of BT Mining profit	30,097	45,300
Share of BT Mining FX hedging through OCI	1,805	(513)
Share of adjustment to retained earnings on adoption of NZ IFRS 16	(82)	-
Closing balance	**89,543**	**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.

Salaries for employees who work across both BRL and BT Mining are recharged between the two companies so that staff costs are recorded appropriately. For the year ended 30 June 2020 $2.7m of salaries were recharged from BRL to BT Mining (2019: $2.1m) and $0.7m recharged from BT Mining to BRL (2019: $0.6m).

Coal sales are made to BRL's BT Mining joint venture partner Talleys Energy Limited and/or associated companies of Talleys Energy Limited on an arm's length basis and normal commercial terms. Total sales for the year ended 30 June 2020 were $4.2m (2019: $3.5m)

Notes to the financial statements

For the year ended 30 June 2020

13. Interest in joint ventures continued

BT Mining continued

(b) BT Mining balance sheet	**2020 $'000**	**2019 $'000**
Cash	24,427	22,283
Restricted short-term deposits	2,133	-
Trade and other receivables	35,611	46,749
Crown indemnity	4,178	-
Inventories	39,689	32,694
New Zealand emission units	1,166	2,975
Derivative assets	3,068	-
Current assets	**110,272**	**104,701**
Property, plant and equipment	107,511	72,976
Mining assets	62,998	41,961
Crown indemnity	56,881	53,993
Other financial assets	761	742
Deferred tax asset	6,819	2,041
Non-current assets	**234,970**	**171,713**
TOTAL ASSETS	**345,242**	**276,414**
Trade and other payables	30,323	26,854
Tax payable	28,684	24,894
Borrowings	16,830	2,970
Derivative liabilities	-	789
Deferred consideration	4,485	12,932
Provisions	4,003	6,447
Current liabilities	**84,325**	**74,886**
Borrowings	36,289	6,876
Deferred consideration	3,634	12,806
Provisions	83,236	73,042
Non-current liabilities	**123,159**	**92,724**
TOTAL LIABILITIES	**207,484**	**167,610**
NET ASSETS	**137,758**	**108,804**
Share capital	25,000	25,000
Reserves	1,988	(789)
Retained earnings net of dividends paid	110,770	84,593
EQUITY	**137,758**	**108,804**

Notes to the financial statements

For the year ended 30 June 2020

13. Interest in joint ventures continued

NWP

Balances held in NWP	2020 $'000	2019 $'000
Equity investment	16,063	10,105
Equitable share of profit	238	-
Total interest in NWP	**16,301**	**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. 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	Complete
Tranche two	CAD $110.m	30%	Construction	In progress
Total	**CAD $121.5m**	**50%**	**As above**	

The balance invested at 30 June 2020 represents the NZD equivalent of the initial investment (CAD $4.0m) and tranche one (CAD $7.5m) issued in exchange for common ordinary shares in NWP, as well as an advance of CAD $2.6m as part of tranche two, issued in exchange for preference shares in NWP.

The investment in exchange for preference shares is done on a cash call basis at the request of NWP. If BRL exercises the tranche two option, further investment required will equal CAD $110.0m minus funds invested in the preference shares, at which point the preference shares will automatically convert to ordinary shares on a 1:1 basis.

Preference shares have the same rights and are issued at the same value as ordinary shares, with the key 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 ordinary shares.

BRL considers NWP to be a joint venture. 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	1,349	1,054
Other current assets	129	286
Exploration and evaluation assets	30,037	23,270
Other non-current assets	1,264	1,270
TOTAL ASSETS	**32,779**	**25,880**
Current liabilities	461	352
Non-current financial liabilities	1,219	1,941
TOTAL LIABILITIES	**1,680**	**2,293**
NET ASSETS	**31,099**	**23,587**

Bathurst Industrial Coal Limited

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

Notes to the financial statements

For the year ended 30 June 2020

13. Interest in joint ventures continued

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

Temporary differences attributable to:	**2020 $'000**	**2019 $'000**
Tax losses	16,443	12,449
Employee benefits	355	285
Provisions	1,651	1,772
Mining licences	16,744	16,695
Exploration and evaluation expenditure	812	2,656
Property, plant and equipment	2,936	6,624
Waste moved in advance	2,027	2,027
Other	100	436
Total deferred tax assets	**41,068**	**42,944**
Other	(35)	(3)
Total deferred tax liabilities	**(35)**	**(3)**
Net deferred tax asset not recognised	(41,033)	(42,941)
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.

Notes to the financial statements

For the year ended 30 June 2020

15. Financial liabilities

(a) Trade and other payables	2020 $'000	2019 $'000
Trade payables	2,236	2,316
Accruals	2,496	2,688
Employee benefit payable	1,611	1,183
Interest payable	204	723
Other payables	169	169
Total trade and other payables	**6,716**	**7,079**

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		
Current		
Secured		
Lease liabilities	1,460	1,418
Subordinated bonds	6,023	11,790
Bank borrowings backing property, plant and equipment	23	287
Unsecured		
Convertible notes	6,375	719
Total current borrowings	**13,881**	**14,214**
Non-current		
Secured		
Lease liabilities	1,758	2,470
Unsecured		
Convertible notes	-	6,827
Total non-current borrowings	**1,758**	**9,297**
Total borrowings	**15,639**	**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	$3.95m	10%	1/02/2017	1/02/2021	n/a

Material transactions

During the year, 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 (face value $0.6m) were converted to shares at the election of the note holder, at $1,150 per note and 4.3125¢ per share (June 2019: 1,400 notes).

The subordinated bonds were partially repaid during the year, with USD $3.95m principal and associated accrued interest paid. The maturity on the subordinated bonds was also extended by one year, agreed to by all bond holders.

15. Financial liabilities continued

(b) Borrowings continued

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.

Convertible notes

Conversion

The convertible notes 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, with 60 days' notice to bondholders required.

Ranking

The bonds rank equally with existing and future bonds and without priority or preference amongst themselves. There is a general security deed in favour of bond holders, with certain asset and security exclusions.

Covenant breach

There was a technical breach to the bond terms during the year, in the form of distributions made to shareholders without prior written consent of the majority of the bond holders. The Company's financial results are also in breach of the financial covenants under the bond terms. This means a majority of bond holders could elect these bonds to be repaid before the maturity date.

(c) Deferred consideration	**2020 $'000**	**2019 $'000**
Current		
Acquisition of subsidiary	74,361	1,035
Non-current		
Acquisition of subsidiary	4,956	5,774
Total deferred consideration	**79,317**	**6,809**
Opening balance	6,809	7,608
Unwinding of discount	785	623
Fair value adjustment – Canterbury Coal and New Brighton	(561)	(41)
Recognition of Buller coal project performance payment	62,247	-
Accrued interest on Buller coal project	10,983	-
Consideration paid during the year	(946)	(1,381)
Closing balance	**79,317**	**6,809**

Notes to the financial statements

For the year ended 30 June 2020

15. Financial liabilities continued

(c) Deferred consideration continued

Buller Coal project

BRL acquired Buller Coal Limited (formerly L&M Coal Limited) ("Buller Coal") from L&M Coal Holdings Limited ("L&M") in November 2010. The sale and purchase agreement between BRL and L&M dated 10 June 2010 ("SPA"), which primarily concerned the purchase of the Escarpment mine through the acquisition of Buller Coal, contained an element of deferred consideration. The deferred consideration comprised cash consideration and/or royalties on coal sold and the potential 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 area, the second payable upon 1 million tonnes of coal being shipped from the Buller Coal project area or where a change in control of Bathurst is deemed to have occurred (refer to note 23 (c) for further information).

On 23 December 2016, BRL announced that L&M had filed legal proceedings in the High Court of New Zealand in relation to an alleged breach of the SPA arising from a failure to pay the first USD $40m performance payment, which the High Court of New Zealand held to be payable. After pursuing this matter through the Court of Appeal of New Zealand, on 24 April 2020, the Court of Appeal upheld the High Court's judgment. BRL has been granted leave to appeal to the Supreme Court of New Zealand and this matter is now set to be heard by the Supreme Court on 8 and 9 October 2020.

As BRL's success at the Supreme Court cannot be reliably confirmed to be more likely than not, a liability has been recognised regarding L&M's claim for the first performance payment. The liability accrued reflects the amount noted in the SPA pertaining to the first performance payment of USD $40m, plus accrued interest based on the rate set by the High Court. Avenues being pursued to fund the payment are described in note 1. Bathurst has and will continue to remit royalty payments to L&M on all Escarpment coal sold as required by the Royalty Deed between the parties and this includes ongoing sales from stockpiles.

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 for the Canterbury mine 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:

		2020		2019	
Key input	**Change in input**	**Increase in estimate $'m**	**Decrease in estimate $'m**	**Increase in estimate $'m**	**Decrease in estimate $'m**
Discount rate	2 percent	0.1	(0.2)	0.1	(0.2)
Production levels	5 percent	(0.1)	0.0	0.0	0.0

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 based on activity at the Takitimu mine 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:

		2020		2019	
Key input	**Change in input**	**Increase in estimate $'m**	**Decrease in estimate $'m**	**Increase in estimate $'m**	**Decrease in estimate $'m**
Discount rate	2 percent	0.2	(0.3)	0.4	(0.4)
Production levels	5 percent	(0.3)	0.2	(0.2)	0.2
Coal prices	$5 per tonne	(0.2)	0.3	(0.2)	0.2

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:

Instrument	2020 Fair value $'000	2020 Carrying value $'000	2019 Fair value $'000	2019 Carrying value $'000
Subordinated bonds	6,470	6,023	12,309	11,790
Convertible notes	6,644	6,375	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.

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.

Notes to the financial statements

For the year ended 30 June 2020

15. Financial liabilities continued

Accounting policy continued

Financial liabilities at amortised cost

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.

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.

Notes to the financial statements

For the year ended 30 June 2020

16. Rehabilitation provisions

	2020 $'000	2019 $'000
Current	1,145	1,328
Non-current	4,721	4,347
Total provisions	**5,866**	**5,675**
Rehabilitation provision movement:		
Opening balance	5,675	5,928
Change recognised in the mining and property asset	(15)	(930)
Unwinding of discount	72	365
Movement in Crown indemnity on acid mine drainage for Sullivan permit	211	20
Movement in provision net of expenditure incurred	(77)	292
Closing balance	**5,866**	**5,675**

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 obligation to rehabilitate arises at the commencement of the mining project; at this point a provision is recognised as a liability with a corresponding asset 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 with a corresponding change in the cost of the associated 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 amount of the provision relating to rehabilitation of environmental disturbance caused by on-going production and extraction activities is recognised in the income statement as incurred.

The net present value of the provision is calculated using an appropriate discount rate, based on management's best estimate of future costs of rehabilitation. 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

(a) Ordinary fully paid shares	Note	2020 Number of shares '000	2019 Number of shares '000
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	18	2,555	16,131
Cancellation of shares from buy-backs		-	(31,316)
Closing balance		**1,709,520**	**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.

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.

Convertible notes conversions

During the year, 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 (face value $0.6m) were converted to shares at the election of the note holder, at $1,150 per note and 4.3125¢ per share (June 2019: 1,400 notes).

(b) Contributed equity	$'000	$'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	344	1,543
Share buy-backs	-	(4,225)
Closing balance	**293,107**	**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**

17. Equity continued

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

	2020 $'000	2019 $'000
Share-based payment reserve	357	293
Foreign exchange translation reserve	(344)	(70)
Share of BT Mining FX hedging through OCI	1,292	(513)
Reorganisation reserve	(32,760)	(32,760)
Total reserves	**(31,455)**	**(33,050)**

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.

18. Reserves continued

Details on share-based payments

Grant date	Vesting date	Opening balance 000s	Issued 000s	Vested 000s	Closing balance 000s
Director performance rights					
December 2018	31 December 2019	2,555	-	(2,555)	-
LTIP performance rights 2018					
December 2018	15 October 2021	4,591	-	-	4,591
LTIP performance rights 2019					
January 2020	15 October 2022	-	4,840	-	4,840
		7,146	**4,840**	**(2,555)**	**9,431**

The director performance rights were converted to shares for nil consideration on the 17 January 2020, with the closing market rate of BRL shares on this date at AU 0.115¢ per share.

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 were converted into fully paid ordinary shares on a 1:1 basis. Vesting was dependent on the holders remaining in employment until the vesting date.

Long term incentive plan ("LTIP") performance rights 2018 and 2019

LTIP performance rights were issued to executive directors as part of the LTIP which was approved at the 2018 AGM. These rights were issued as an incentive for the future performance. Rights granted to directors were approved at the 2018 AGM and 2019 AGM respectively.

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 for the 2018 issue, 15 October 2022 for the 2019 issue. The Company also has to achieve 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 for the 2018 issue; 1 July 2019 to and including 30 June 2022 for the 2019 issue.

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.

Notes to the financial statements

For the year ended 30 June 2020

19. Earnings per share

(a) Earnings per share ("EPS")	2020 Cents	2019 Cents
Basic EPS	(2.78)	2.83
Diluted EPS	(2.78)	2.57

(b) Reconciliation of earnings used in calculation	$'000	$'000
(Loss)/earnings used to calculate basic EPS – net profit after tax	**(47,426)**	**44,960**
Interest expense on convertible notes	-	926
(Loss)/earnings used in calculation of diluted EPS	**(47,426)**	**45,886**

(c) Weighted average number of shares	Number shares 000s	Number shares 000s
Weighted average shares used in calculation of basic EPS	**1,704,839**	**1,587,049**
Dilutive potential ordinary shares (performance rights and convertible notes)	-	198,267
Weighted average shares used in calculation of diluted EPS	**1,704,839**	**1,785,316**

At 30 June 2020, basic and diluted EPS were the same as 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

	2020 $'000	2019 $'000
(Loss)/profit before income tax	**(47,426)**	**44,960**
Dividend received from BT Mining	13,000	19,500
Non-cash items:		
Depreciation and amortisation	7,088	6,909
Share-based payments	408	764
Share of joint venture equity share of profit	(30,408)	(45,300)
Movement on rehabilitation provision & discount unwind	628	563
Non-operating		
Movement on deferred consideration & discount unwind	62,476	582
Interest on deferred consideration	10,983	-
Interest on debt instruments and finance leases	2,095	2,096
Other	228	146
Unrealised FX	716	13
Bad debts/impairments	325	-
Loss/(gain) on sale of PPE	13	(3)
Movement in working capital	4	67
Cash flow from operating activities	**20,130**	**30,297**

Notes to the financial statements

For the year ended 30 June 2020

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 assesses potential foreign currency exposures by assessing the impact of movement in the FX rate on profit, as follows:

Liability	Face value	2020 +3% $'000	2019 +3% $'000	2020 -3% $'000	2019 -3% $'000
Subordinated bonds	USD $3.95m	179	344	(190)	(365)
USD deferred consideration	USD $40m	2,133	-	(2,265)	-

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 2020. 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.

Notes to the financial statements

For the year ended 30 June 2020

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.

30 June 2020	Less than 6 months $'000	6 - 12 months $'000	Between 1 – 2 years $'000	Between 2 – 5 years $'000	Over 5 years $'000	Total contractual flows $'000
Trade and other payables	6,716	-	-	-	-	6,716
Borrowings	291	13,358	-	-	-	13,649
Leases	977	977	1,017	1,122	-	4,093
Deferred consideration	598	73,828	1,203	3,735	3,029	82,393
Total	**8,582**	**88,163**	**2,220**	**4,857**	**3,029**	**106,851**
30 June 2019						
Trade and other payables	7,079	-	-	-	-	7,079
Borrowings	854	12,561	6,745	-	-	20,160
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**

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.

Included in deferred consideration is the amount owing to L&M Coal Holdings Limited which is denominated in USD. The cashflows represented above were translated at the USD:NZD exchange rate at 30 June 2020; actual variances may occur from changes in the realised exchange rate. The above representation also assumes payment of balances owing at 30 June 2020; any additional interest accrued will be in addition to that noted above.

Total contractual cash flows on 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.

Notes to the financial statements

For the year ended 30 June 2020

21. Financial risk management continued

Financial instruments by category

Financial assets	2020 $'000	2019 $'000
Amortised cost		
Cash and cash equivalents	4,495	20,005
Restricted short-term deposits	4,193	4,030
Trade and other receivables	4,012	4,018
Other financial assets	117	139
Crown Indemnity	873	371
Total financial assets	**13,690**	**28,563**
Financial liabilities		
Amortised cost		
Trade and other payables	6,716	7,079
Borrowings	15,639	23,511
Fair Value		
Deferred consideration	79,317	6,809
Total financial liabilities	**101,672**	**37,399**

22. Key management personnel compensation

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

Key management personnel compensation

30 June 2020	Short-term benefits $'000	Share-based payments $'000	Total $'000
Management	2,965	374	3,339
Non-executive directors	214	34	248
Total	**3,179**	**408**	**3,587**
30 June 2019			
Management	2,387	676	3,063
Non-executive directors	184	88	272
Total	**2,571**	**764**	**3,335**

Notes to the financial statements

For the year ended 30 June 2020

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 (2019: nil).

(b) 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.

(c) Contingent liabilities

On 4 May 2020 BRL announced that L&M had given BRL notice that L&M intended to pursue further legal action under the terms of the SPA. L&M asserted in its notice of request for arbitration that its entitlement to the second performance payment of USD $40m arises because there has been a change in control in Bathurst, arising from an aggregation of current and historical shareholders acting together as undisclosed associates, and that this is the equivalent to a third party acquiring more than 50 percent of BRL's shares. And as a second assertion that a grouping of shareholders through a concerted course of action has acquired effective control of BRL and therefore has the ability to control the composition of the board of Bathurst New Zealand Ltd.

The Board and its financial and legal advisors have reviewed the current and historical shareholdings, considered the allegations of association, and consider both aspects of the notice to be without merit.

Based on legal advice received, the directors believe that it is more than likely that this second claim by L&M would be unsuccessful.

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.

Additional information

For the year ended 30 June 2020

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

	2020 $'000	2019 $'000
Revenue from contracts with customers	225,615	290,420
Realised FX and coal price hedging	7,061	(5,303)
Less: cost of sales	(155,101)	(177,120)
Gross profit	**77,575**	**107,997**
Other income	1,072	254
Equity accounted profit	311	-
Depreciation	(17,783)	(9,838)
Administrative and other expenses	(19,672)	(19,180)
Fair value on deferred consideration	(60,045)	(6,584)
(Loss)/gain on disposal of fixed assets	(13)	3
Impairment losses	(502)	-
Operating (loss)/profit before tax	**(19,057)**	**72,652**
Fair value movement on derivatives	-	(2,235)
Finance cost	(20,519)	(5,704)
Finance income	142	454
(Loss)/profit before income tax	**(39,434)**	**65,167**
Income tax expense	(7,992)	(20,207)
(Loss)/profit after tax	**(47,426)**	**44,960**

Additional information

For the year ended 30 June 2020

Consolidated balance sheet

	2020 $'000	2019 $'000
Cash and cash equivalents	20,373	34,489
Restricted short-term deposits	5,579	4,030
Trade and other receivables	27,159	34,405
Crown indemnity	3,007	-
Inventories	27,205	22,812
New Zealand emission units	1,769	3,362
Derivative assets	1,994	-
Total current assets	**87,086**	**99,098**
Property, plant and equipment ("PPE")	87,869	64,673
Mining assets	75,467	57,058
Crown indemnity	37,555	35,466
Interest in joint ventures	16,301	10,105
Deferred tax asset	4,432	1,327
Other financial assets	612	621
Total non-current assets	**222,236**	**169,250**
TOTAL ASSETS	**309,322**	**268,348**
Trade and other payables	26,426	24,534
Tax payable	18,645	16,181
Borrowings	24,821	16,145
Derivative liabilities	-	513
Deferred consideration	77,276	9,441
Provisions	3,747	5,519
Total current liabilities	**150,915**	**72,333**
Borrowings	25,346	13,766
Deferred consideration	7,318	14,098
Provisions	58,824	51,824
Total non-current liabilities	**91,488**	**79,688**
TOTAL LIABILITIES	**242,403**	**152,021**
NET ASSETS	**66,919**	**116,327**
Contributed equity	293,107	286,277
Debt instruments equity component	17,622	22,824
Reserves	(31,455)	(33,050)
Retained earnings net of dividends	(212,355)	(159,724)
EQUITY	**66,919**	**116,327**

Additional information

For the year ended 30 June 2020

Consolidated cash flow

	2020 $'000	2019 $'000
Cash flows from operating activities		
Receipts from customers	240,696	286,293
Payments to suppliers and employees	(164,620)	(178,992)
Taxes paid	(9,304)	(16,597)
Net inflow from operating activities	**66,772**	**90,704**
Cash flows from investing activities		
Exploration and evaluation expenditure	(1,620)	(703)
Mining assets (incl. elevated stripping)	(29,686)	(28,517)
PPE purchases	(14,410)	(30,046)
Proceeds from disposal of PPE	-	186
Payment of deferred consideration	(10,849)	(9,863)
Investment in NWP	(6,146)	(10,105)
Other	(178)	22
Net outflow from investing activities	**(62,889)**	**(79,026)**
Cash flows from financing activities		
Drawdown on leases	4,335	6,955
Repayment of leases	(8,584)	(2,670)
Interest on leases	(1,712)	(697)
Interest on debt instruments	(2,395)	(2,138)
Debt instrument repayment	(6,371)	-
Drawdown on borrowings	4,764	-
Interest on borrowings	(672)	-
Dividend paid	(5,520)	-
Interest received	177	427
Other finance costs	(472)	(84)
Share buy-backs	-	(4,225)
Net outflow from financing activities	**(16,450)**	**(2,432)**
Net (decrease)/increase in cash and cash equivalents	**(12,567)**	**9,246**
Opening cash and cash equivalents including restricted short-term deposits	38,519	29,273
Closing cash and cash equivalents	**25,952**	**38,519**

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 39:

i. present fairly in all material respects the consolidated financial position as at 30 June 2020 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 2020;
- 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 Company and Group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("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.

Our firm has also provided other services to the Group in relation to agreed upon procedures services required under a Deed of Royalty. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

Material uncertainty related to going concern

We draw attention to note 1 in the consolidated financial statements, which indicates that the Group's current liabilities exceed its current assets by $81 million. As stated in note 1, the working capital position along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter – contingent liabilities

We draw attention to note 23(c) to the consolidated financial statements which discloses that L&M Coal Holdings Limited has given notice to the Company that it intends to pursue further legal action under the terms of the Buller Coal project sale and purchase agreement.

No liability has been recognised as at 30 June 2020 based on legal advice that it is more likely than not that the Company will successfully defend any claim.

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 $1,800,000 determined with reference to a benchmark of consolidated profit before tax. We chose the benchmark because, in our view, this is a key measure of the consolidated performance.

KPMG

Independent auditor's report

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. Except for the matter described in the material uncertainty related to going concern, 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.

COVID-19

The COVID-19 pandemic has created additional risks across a number of areas of the business. All forward-looking assumptions are inherently more uncertain during these unprecedented times. While the key audit matter "Revenue recognition" detailed below, is unchanged from last year, the underlying audit risk has increased which impacted the extent and nature of audit evidence that we had to gather.

The key audit matter	*How the matter was addressed in our audit*
The recognition of a provision for the performance payment due to L&M Coal Holdings Limited	
Refer to note 15(c) of the financial statements which discloses the provision of $73 million recognised in respect to the performance payment due to L&M Coal Holdings Limited as a result of the unfavourable judgments received in relation to legal proceedings in the High Court and Court of Appeal of New Zealand. Our focus has been on ensuring that the provision has been calculated in accordance with the terms of the payment of the High Court reflecting the current best estimate and the terms of the payment are disclosed within the financial statements. This was an area of audit focus due to the significance of the provision to the financial statements as a whole.	Our audit procedures included: • Reading the Court of Appeal decision and understanding the terms of the payment set out in the decision. • Reviewing the recent legal advice supporting the decision to appeal the Court of Appeal decision to the Supreme Court. • Obtaining a copy of the Notice of Hearing granted to the Company by the Supreme Court. • Recalculating the provision based on the terms of the High Court decision to ensure that the provision recognised included the performance payment, accrued interest based on the rate set by the High Court and was translated into New Zealand dollars at the US dollar exchange rate at balance date. We reviewed the disclosures in note 15(c) of the financial statements to ensure they are consistent with the terms set out by the Court of Appeal.
Revenue recognition	
Refer to note 3 of the financial statements. Our focus has been on ensuring that the treatment of each product offered under the agreements with customers 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 revenue recognition requires judgement as does the process to conclude on the treatment of each contract.	Our audit procedures included: • Comparing a sample of contracts to the relevant accounting standard to determine if the correct accounting treatment has been applied. • Agreeing a sample of contracts to the Company's existing revenue recognition policies. • Testing a sample of revenue transactions prior and post balance date to ensure that the revenue has been recognised in the correct period in accordance with delivery terms.

Independent auditor's report

Other information

The directors, on behalf of the Company and Group, are responsible for the other information included in the Company's annual report. Other information included in annual report includes the Chairman's and CEO's report, and the operational and financial review. 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.

Responsiblities of the directors for the consolidated financial statements

The directors, on behalf of the Company, 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

28 August 2020