

Financial Statements

For the year ended 30 June 2022



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Authorised for and on behalf of the Board of Directors:



Peter Westerhuis
Chairman

29 August 2022



Russell Middleton
Executive director

29 August 2022

Results for announcement to the market

Audited results for the year ended 30 June 2022

Financial measures	2022 \$000	2021 \$000	% change
Sales revenue and other income	39,754	48,838	(19%)
Profit from ordinary activities after tax	42,832	65,597	(35%)
Profit after tax	30,498	66,721	(54%)

Per share measures	2022 Amount per share (cents)	2021 Amount per share (cents)	% change
Basic earnings per share	17.6	39.0	(55%)
Diluted earnings per share	17.4	35.5	(51%)
Net tangible assets per share	101.0	75.3	34%

Dividend

There were no dividends paid or declared during the year.

Other matters

The difference between profit from ordinary activities and profit after tax is the non-cash fair value expense of \$12.3m on the AUD convertible bonds derivative (30 June 2021: income of \$1.1m).

Included in profit after tax is \$53.2m profit after tax relating to Bathurst's 65 percent equity share of profit in joint venture BT Mining Limited (30 June 2021: \$13.3m). Also included is Bathurst's equity share of loss recorded in joint venture NWP Coal Canada Limited (Bathurst's Canadian coking coal exploration project) of \$48k (30 June 2021: \$48k).

Financial and operating overview

For the year ended 30 June 2022

Letter from the Chief Executive Officer

Our FY22 results reflect a significant step change in the earnings of our export segment, which tripled year-on-year due to the rise in the export pricing benchmark. The long-awaited pricing recovery began in June last year as the global economy began to re-open after COVID related lockdowns, which increased demand against a tight supply and limited spot cargo availability. Pricing continued its upwards trend, reaching record highs in Q2 and into Q3. Coal supply was impacted in Australia due to heavy rainfall and COVID impacted worker availability and then further disrupted by the war in Ukraine, against a continued robust demand due to COVID related stimulation packages.

Partially offsetting the increased revenue was an increase in our cost base, reflecting the national and wider global trend of increasing inflation, COVID related supply chain disruptions, labour supply shortages, and macro market impacts from the war in Ukraine affecting the price of fuel as well as other commodities. The average rate of inflation increased to 7.3 percent for the 12 months to 30 June, and fuel costs more than doubled since the beginning of the financial year. The realised hedging expense recorded in BT Mining increased in line with the sharp rise in export pricing levels, which significantly exceeded the market consensus of forward pricing when these hedges were initially set. All hedges contracted pre-FY22 matured during the year, and at the end of June we were in a fair value gain position, reflecting a gradual decline in export pricing levels towards more sustainable levels in the last quarter.

Across our mines production targets were met despite significant operational challenges, partially from COVID related disruptions but more significantly weather. Wetter and more extreme than usual weather was the biggest disruptor to our operations, with two significant flooding events affecting the Stockton mine, a slip in June at the Maramarua mine due to excessive rainfall, and lower production levels at the Rotowaro mine due to increased wet weather. Our ability to continue to meet contracted sales is a testament to the proactive approach to operational planning by our site and operational teams, as well as maintenance of stockpiles, and ability to shift coal supply between our North Island domestic mines.

Agreement with key customers supporting the three-year extension (based on current production/sales volumes) to operations at the Rotowaro mine is near completion, with the extension subject to final resource consent approval. The project will support three of New Zealand's largest companies and provide 175 on-site jobs for locals in the Waikato region. The project is structured as a commercial partnership with the upfront waste stripping investment being shared. There is no significant new equipment capital outlay required as the fleet from the current operations will be utilised alongside a refurbishment programme extending the life of the assets.

Looking ahead, our resilience in tackling the challenges posed to us over the last 12 months gives myself and the Board of Directors great confidence in the ability of our people to be adaptive and proactive in managing any future challenges.

Financial overview

Financial measures (Bathurst and 65 percent BT Mining)	2022	2021
	\$m	\$m
Revenue ¹	295.2	212.6
EBITDA ²	104.4	59.5
Net profit after tax	30.5	66.7
Underlying profit after tax	43.1	14.8
Cash	76.0	20.2
<i>Reconciliation of underlying profit after tax to net profit after tax</i>		
Underlying profit after tax	43.1	14.8
Fair value movement on convertible bond derivatives	(12.3)	1.1
Impairment	(0.3)	(22.5)
Reversal of previously recognised performance payment	-	73.2
Net profit after tax	30.5	66.7

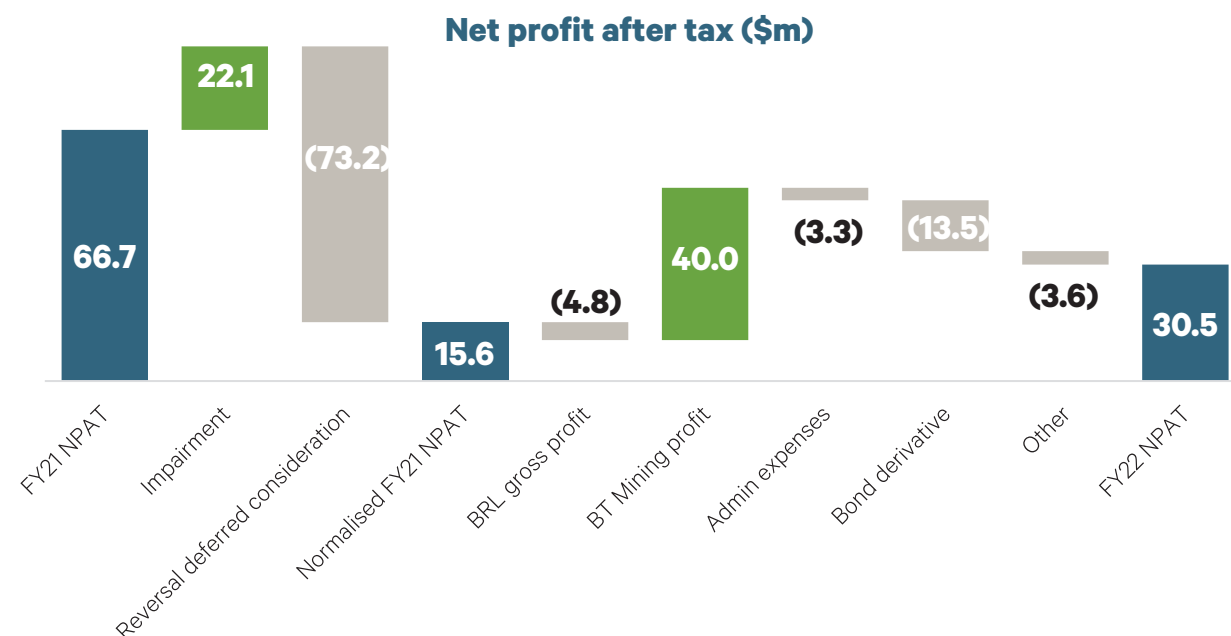
¹ Coal sales revenue including realised FX and coal pricing hedges. Unrealised movements go through other comprehensive income.

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

Financial and operating overview

For the year ended 30 June 2022

Financial overview continued



Key movements in net profit after tax:

Impairment	+\$22.1	In the prior year there was a write-off of Canterbury mine assets due to closure of the mine at the end of June, and an impairment of a historical acquisition value relating to the New Brighton permit (adjacent to the current Takitimu mine operations).
Reversal of deferred consideration	-\$73.2m	Deferred consideration including accrued interest on the Buller Project was reversed in the prior year, due to a Supreme Court ruling which determined that payment could be suspended.
BRL gross operating profit	-\$4.8m	The cessation of operating at the Canterbury mine, and a reduction in net freight revenue are key drivers. Refer to domestic operations overview (South Island domestic) for further information.
Equity share of joint venture BT Mining profit	+\$40.0m	Increase from export operations driven by higher pricing received on sales, partially offset by a decrease in earnings for the North Island domestic segment. Refer to export and domestic operations overview for further information.
Admin expenses	-\$3.3m	An increase in corporate administration costs, largely driven by increased legal fees incurred in defending Bathurst against claims bought by L&M, and overhead salary costs that included short term incentive performance payments in the current period.
Fair value movement on convertible bond derivative	-\$13.5m	This movement reflects the valuation of the conversion option of the AUD convertible bonds, with an expense recorded as Bathurst's share price exceeded the strike price of the bonds. This is a non-cash item, with the other side to the expense now recorded in issued equity, as the bonds were converted to shares during the year.

Financial and operating overview

For the year ended 30 June 2022

Operations overview

Export (65 percent equity share via BT Mining)

Measure		Export 2022	Export 2021
Production (100% basis)	kt	913	938
Sales (100% basis)	kt	1,023	1,088
Overburden (100% basis)	Bcm 000	4,446	3,685
Revenue incl. realised hedging (65% equity share)	\$'000	193,242	97,211
Average price received per tonne (100% basis)	\$/t	290.5	137.4
EBITDA (65% equity share)	\$'000	83,398	19,112

- Sales tonnes**
- 50kt of sales slipped from the end of June to early July due to a weather-related delay of the arrival of the vessel into port.
- Revenue**
- The average benchmark price was beneficial year-on-year, USD \$374/tonne FY22 versus USD \$116/tonne FY21. Export sales are a mix of being priced against the spot price or a prior 3 month average (t minus 1).
 - The sales mix had an unfavourable impact, with a higher percentage of thermal sales replacing semi-hard to align with production; realised hedging expense also partially offset the higher pricing.
- EBITDA**
- Benefited from the uplift in revenue, partially dampened by the following key cost uplifts:
- Costs have increased due to a mix of underlying unit cost increases, flooding related disruptions and COVID related absenteeism.
 - Purchased coal which is added to the mine's coal blend to meet contract specifications is priced against the USD benchmark so the cost fluctuates in line with revenue.
 - Fuel pricing increased from a July 21 average price \$1 per litre to \$2.42 in June 22.
 - Profit share for employees which is pegged to uplifts in sales revenue.

Financial and operating overview

For the year ended 30 June 2022

Operations overview continued

Domestic (100 percent SID and 65 percent NID equity share via BT Mining)

Measure		Domestic 2022	Domestic 2021
Production (100% basis)	kt	964	1,109
Sales (100% basis)	kt	935	1,098
Overburden (100% basis)	Bcm 000	7,285	15,882
Revenue (equity share)	\$'000	101,955	115,416
EBITDA (equity share)	\$'000	36,511	52,644

Sales tonnes	North Island domestic ("NID") decreased due to a planned step down in sales volumes to an electricity generation customer. South Island domestic ("SID") sales volumes primarily declined due to the closure of the Canterbury mine.
Overburden	Waste moved in advance has reduced significantly at the Rotowaro mine (NID) as it moves closer to the end of its mine life.
Revenue	Revenue decreased for both NID and SID due to lower sales volumes, partially offset by contractual PPI increases.
EBITDA	EBITDA was negatively impacted in both NID and SID from reduced sales tonnes, as well as increased costs. SID primarily impacted by: <ul style="list-style-type: none"> • Closure of Canterbury mine. • Reduction in net freight revenue as margins were eroded by a hike in fuel costs and government levies. NID primarily impacted by: <ul style="list-style-type: none"> • Reduced sales tonnes leading to lower production, which means the cost per tonne increases particularly at the Rotowaro mine which has a high proportion of fixed costs, notably labour and repairs and maintenance which represent ~ 60 percent of total cash costs. • The mines moving closer to the end of their mine life, with costs net of capitalised stripping naturally increasing as there is a certain level of fixed costs incurred, relevant to production and overburden stripping volumes. • Fuel which increased at similar rates to export. • Labour costs have increased in line with contractual CPI adjustments.

Corporate

Corporate overhead costs included in the total group consolidated EBITDA increased year-on-year, \$15.5m FY22 versus \$12.3m FY21. This reflects an increase in Bathurst overhead expenses:

- Overhead salary costs increased from short term performance incentives.
- Legal fees incurred in defending Bathurst against claims bought by L&M (refer note 23 of the financial statements).

Overseas joint venture – Crown Mountain project

A further \$0.8m was invested in the Crown Mountain project, a coking coal exploration project in Canada with joint venture partner Jameson Resources Limited. The funds were invested on a proportional equity basis as ordinary equity and were used to further the environmental assessment application, which was submitted in May 2022.

Key findings of the bankable feasibility study on the project released in July 2020 reaffirmed the project as a high-quality coking coal opportunity with a competitive operating and capital cost structure, with access to existing common user rail and port infrastructure. Results of a yield optimisation study released in August 2021 has confirmed the potential for increased production and considerably improved economic outcomes of the project by increasing product ash levels which enables increased processing yield.

Bathurst's equity share is 22.1 percent including preference shares, with the option to buy-in to 50 percent of the project at Bathurst's sole discretion.

Financial and operating overview

For the year ended 30 June 2022

Cash

		2022	2021
	Opening cash (Bathrust and 65 percent BT Mining)	20.2m	26.0m
Operating	EBITDA	104.4	59.5
	Working capital	(4.9)	1.8
	Canterbury rehabilitation	(3.8)	-
	Corporation tax paid	(4.5)	(18.2)
Investing	Deferred consideration	(2.3)	(4.6)
	Crown Mountain (environmental assessment application)	(0.8)	(0.8)
	PPE net of disposals	(8.1)	(6.3)
	Mining assets including capitalised stripping	(11.7)	(20.5)
Financing	Finance leases	(8.5)	(9.9)
	Interest repayment on AUD convertible bonds	(1.3)	(2.2)
	Borrowings repayments	(2.6)	(4.2)
	Financing costs/other	(0.1)	(0.4)
	Closing cash (Bathrust and 65 percent BT Mining)	76.0m	20.2m

Canterbury rehabilitation

The mine was closed at the end of June 2021, with rehabilitation due to be complete Q1 FY23.

Corporation tax paid

FY21 tax paid in FY22. FY22 tax was paid post year end in July 2022.

Deferred consideration

Payments for the year consisted of royalties on Takitimu mine sales, and a final payment in November relating to the acquisition of the BT Mining assets.

Crown Mountain

Funds paid were on a proportional project equity ownership basis and were used to submit the environmental application.

Mining development including capitalised stripping

Spend has decreased from the prior year comparative period due to the Rotowaro mine's strip ratio decreasing as the mine moves into the mature end of its Waipuna West pit.

Borrowing repayments

The final repayment of funding received in advance from customers for stripping activities for the Waipuna West pit (Rotowaro mine).

Authorised for and on behalf of the Board of Directors:



Peter Westerhuis
Chairman

29 August 2022



Russell Middleton
Executive Director

29 August 2022

Income statement

For the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Revenue from contracts with customers	3	39,587	48,167
Cost of sales	4	(34,325)	(38,141)
Gross profit		5,262	10,026
Equity accounted profit	13	53,196	13,235
Other income		167	671
Depreciation	10	(2,385)	(2,935)
Administrative and other expenses	5	(10,089)	(6,771)
Movement in deferred consideration	15 (c)	356	59,391
(Loss)/gain on disposal of fixed assets		(681)	375
Impairment losses	8	(309)	(22,455)
Operating profit before tax		45,517	51,537
Fair value movement on convertible bond derivative	15 (b)	(12,334)	1,124
Finance cost	6	(2,705)	(2,565)
Finance income	6	20	16,625
Profit before income tax		30,498	66,721
Income tax benefit	7	-	-
Profit after tax		30,498	66,721
Earnings per share:		Cents	Cents
Basic profit per share	19	17.55	39.03
Diluted profit per share	19	17.36	35.53

Statement of comprehensive income

For the year ended 30 June 2022

Profit after tax		30,498	66,721
Other comprehensive income ("OCI")			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		1,520	280
Share of BT Mining hedging through OCI	13	8,750	(5,108)
Comprehensive income		40,768	61,893

Statement of financial position

As at 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Cash and cash equivalents		4,765	4,395
Restricted short-term deposits		4,508	4,247
Trade and other receivables	9	4,357	4,286
Inventories		1,495	1,219
New Zealand emission units		309	1,493
Crown indemnity		52	-
Total current assets		15,486	15,640
Property, plant and equipment	10	9,720	12,518
Mining assets	11	14,490	15,690
Interest in joint ventures	13	169,560	114,236
Crown indemnity	16	729	764
Other financial assets		220	1,020
Total non-current assets		194,719	144,228
TOTAL ASSETS		210,205	159,868
Trade and other payables	15 (a)	8,368	6,762
Borrowings	15 (b)	260	983
Deferred consideration	15 (c)	920	998
Rehabilitation provisions	16	1,172	3,798
Convertible bond derivative	15 (b)	-	772
Total current liabilities		10,720	13,313
Borrowings	15 (b)	508	10,358
Deferred consideration	15 (c)	1,544	2,517
Rehabilitation provisions	16	4,100	4,914
Total non-current liabilities		6,152	17,789
TOTAL LIABILITIES		16,872	31,102
NET ASSETS		193,333	128,766
Contributed equity	17	316,970	293,107
Reserves	18	(26,123)	(36,329)
Accumulated losses		(97,514)	(128,012)
EQUITY		193,333	128,766

For and on behalf of the Board of Directors:



Peter Westerhuis
Chairman
29 August 2022



Russell Middleton
Executive Director
29 August 2022

Statement of changes in equity

For the year ended 30 June 2022

	Note	Contributed equity	Debt instruments equity component	Share- based payments	Foreign exchange/ hedging	Retained earnings	Re- organisation reserve	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1 July 2020		293,107	17,622	357	948	(212,355)	(32,760)	66,919
Income		-	-	-	(4,828)	66,721	-	61,893
Share-based payments		-	-	(46)	-	-	-	(46)
Maturity of debt instruments		-	(17,622)	-	-	17,622	-	-
30 June 2021		293,107	-	311	(3,880)	(128,012)	(32,760)	128,766
Income		-	-	-	10,270	30,498	-	40,768
Share-based payments		-	-	(64)	-	-	-	(64)
Maturity of debt instruments	17	23,863	-	-	-	-	-	23,863
30 June 2022		316,970	-	247	6,390	(97,514)	(32,760)	193,333

Statement of cash flows

For the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Receipts from customers		39,493	48,134
Payments to suppliers and employees		(41,214)	(38,611)
Dividend from BT Mining		9,750	-
Net cash inflow from operating activities	21	8,029	9,523
Cash flows from investing activities			
Exploration and consenting expenditure		(388)	(208)
Mining assets (including capitalised waste moved in advance)		(2,375)	(4,589)
Property, plant and equipment purchases net of disposals		(262)	1,039
Deferred consideration		(982)	(1,173)
NWP Coal Canada Limited	13 (b)	(809)	(793)
Other		(32)	(182)
Net cash outflow from investing activities		(4,848)	(5,906)
Cash flows from financing activities			
Interest received		5	27
Other finance costs paid		(2)	(158)
Interest on leases		(82)	(143)
Repayment of leases		(1,220)	(1,231)
Interest on debt instruments		(1,251)	(830)
Issue of AUD convertible bonds		-	10,638
Debt instrument principal repayment		-	(11,966)
Net cash outflow from financing activities		(2,550)	(3,663)
Net increase/(decrease) in cash			
Cash and cash equivalents at the beginning of the year		4,395	4,495
Restricted short-term deposits at the beginning of the year		4,247	4,193
Total cash at the end of the year		9,273	8,642

Notes to the financial statements

For the year ended 30 June 2022

1. About our financial statements

General information

Bathurst Resources Limited (“Company” or “Parent” or “BRL” or “Bathurst”) 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 2022 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 29 August 2022.

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 have been prepared on the going concern basis, and are presented in New Zealand dollars, which is the Company’s functional and presentation currency. References in these financial statements to ‘\$’ and ‘NZ\$’ are to New Zealand dollars. All financial information has been rounded to the nearest thousand unless otherwise stated.

Measurement basis

These financial statements have been prepared 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.

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.

Intangible assets – New Zealand emissions units

Emissions trading units are acquired to satisfy its obligations under the New Zealand Emissions Trading Scheme. These units have a finite useful life but are not amortised because they are expected to be utilised to offset the Group’s obligation under the Emissions Trading Scheme within 12 months of balance date. The units are recognised at cost.

Notes to the financial statements

For the year ended 30 June 2022

1. About our financial statements continued

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 15 (b) Conversion option of convertible bond
- Note 16 Rehabilitation provisions

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.

Standards and interpretations adopted during the year

The financial information presented for the year ended 30 June 2022 has been prepared using accounting policies consistent with those applied in the 30 June 2021 financial statements. There are no new accounting standards issued but not yet effective, that will have an impact on the Group.

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.

One BRL customer met the reporting threshold of 10 percent of BRL's operating revenue in the year to 30 June 2022, contributing \$23.5m (2021: two customers, \$22.9m and \$8.9m).

	Export	Domestic	Corporate	Total	Eliminate BT Mining	Total BRL
Year ended 30 June 2022	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from contracts with customers	387,386	135,537	-	522,923	(483,336)	39,587
Operating profit before tax³	107,103	20,120	(18,933)	108,290	(116,017)	45,517
Net finance costs	(1,597)	(279)	(3,019)	(4,895)	2,210	(2,685)
Fair value movement on derivatives	-	-	(12,334)	(12,334)	-	(12,334)
Income tax	-	-	(31,893)	(31,893)	31,893	-
Movements in OCI	-	-	14,982	14,982	(4,712)	10,270
Comprehensive income after tax³	105,506	19,841	(51,197)	74,150	(86,626)	40,768
Depreciation, amortisation & impairment	(17,590)	(30,138)	(694)	(48,422)	42,384	(6,038)
EBITDA ⁴	128,304	51,256	(18,303)	161,257	(162,346)	(1,089)

³ Total BRL operating profit and comprehensive income does not equal the sum of Total BRL minus elimination of BT Mining, as BRL's 65 percent equity share of BT Mining's profit is added back.

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

Notes to the financial statements

For the year ended 30 June 2022

2. Segment information continued

	Export	Domestic	Corporate	Total	Eliminate BT Mining	Total BRL
Year ended 30 June 2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from contracts with customers	141,214	151,627	-	292,841	(244,674)	48,167
Operating profit before tax	11,556	28,157	29,431	69,144	(30,890)	51,537
Net finance income	(1,845)	(515)	12,323	9,963	4,097	14,060
Income tax expense	-	-	(6,357)	(6,357)	6,357	-
Comprehensive income after tax	9,711	27,642	23,834	61,187	(12,577)	61,893
Depreciation, amortisation & impairment	21,329	54,925	803	77,057	(48,538)	28,519
EBITDA	29,403	71,572	(15,011)	85,964	(75,647)	10,317

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

	2022 \$'000	2021 \$'000
Coal sales	24,754	33,247
Freight and ash disposal revenue	14,833	14,920
Sales revenue from contracts with customers	39,587	48,167

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.

Notes to the financial statements

For the year ended 30 June 2022

4. Cost of sales

	Note	2022 \$'000	2021 \$'000
Raw materials, mining costs and consumables used		9,356	12,557
Freight costs		13,889	12,207
Mine labour costs		7,691	10,012
Amortisation expenses		3,653	3,129
Changes in inventories of finished goods and work in progress		(264)	236
Total cost of sales		34,325	38,141

5. Administrative and other expenses

Administrative and other expenses include the following items:

Remuneration of auditors		195	205
Directors' fees		270	255
Legal fees		3,935	1,585
Consultants		563	1,050
Employee benefit expense		3,140	2,113
Rent		63	84
Share-based payments	18	(64)	(46)

Included in remuneration of auditors is \$71k relating to the half year review with the remainder for end of year audit fees.

6. Net finance costs

Interest income		5	18
Reversal of accrued interest on deferred consideration		-	10,983
Foreign exchange movement on deferred consideration		-	5,086
Unrealised foreign exchange gain on debt instruments		-	538
Realised foreign exchange		15	-
Total finance income		20	16,625
Interest expense on finance leases		(82)	(153)
Interest expense on debt instruments		(1,947)	(1,596)
Unrealised foreign exchange loss		(312)	(1)
Rehabilitation provisions unwinding of discount	16	(61)	(38)
Deferred consideration unwinding of discount	15 (c)	(286)	(626)
Other finance costs		(17)	(151)
Total finance costs		(2,705)	(2,565)
Total net finance (cost)/income		(2,685)	14,060

Notes to the financial statements

For the year ended 30 June 2022

7. Income tax benefit

	2022 \$'000	2021 \$'000
(a) Income tax benefit		
Current tax	-	6,328
Deferred tax	-	(6,328)
Income tax benefit	-	-
Reconciliation of income tax benefit to tax payable		
Profit before income tax	30,498	66,721
Tax at the standard New Zealand rate of 28 percent	8,539	18,682
<i>Tax effects of amounts not assessable in calculating taxable income:</i>		
Share of joint venture equity profit	(14,895)	(3,705)
Taxable temporary differences not recognised	(1,605)	-
Non-taxable adjustments including movement on deferred consideration	3,464	(19,876)
Current year losses not recognised as a deferred tax asset	4,497	4,899
Income tax benefit	-	-
(b) Imputation credits		
Opening balance imputation credit account	15,578	15,577
Imputation credits attached to dividends received and other items	3,792	1
Imputation credits available for use in future periods	19,370	15,578

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.

Notes to the financial statements

For the year ended 30 June 2022

8. Impairment

	Note	2022 \$'000	2021 \$'000
Impairment of historical exploration and evaluation expenditure		309	-
Impairment of New Brighton historical acquisition value	11	-	12,810
Impairment of Canterbury mining and property, plant and equipment assets	10 & 11	-	9,645
Impairment losses		309	22,455

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 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.

There is a third CGU that is assessed for impairment in note 13. The assets that this CGU represents are only 65 percent owned and due to a joint venture ownership structure not consolidated in the Group results.

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 2022.

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. There was \$0.7m in capitalised exploration and evaluation expenditure relating to this CGU at 30 June 2021. During the year \$0.3m was written back as these balances related to historical items that could no longer be supported. Apart from \$0.4m of capitalised exploration and evaluation expenditure, the CGU remains impaired at 30 June 2022.

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.

Notes to the financial statements

For the year ended 30 June 2022

9. Financial assets

	Note	2022 \$'000	2021 \$'000
Trade and other receivables			
Trade receivables from contracts with customers		3,636	3,518
Receivable from BT Mining	13	478	90
Other receivables and prepayments		243	678
Total trade and other receivables		4,357	4,286

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

Accounting policy

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. 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.

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 20. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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.

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.

Notes to the financial statements

For the year ended 30 June 2022

10. Property, plant and equipment

	Freehold land	Buildings	Mine infrastructure	Plant & machinery	Furniture and fittings	Work in progress	Total
Year ended 30 June 2022	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening net book value	2,026	1,530	95	8,432	22	413	12,518
Additions including NZ IFRS 16	-	-	-	27	515	1,420	1,962
Transfers	-	47	-	1,267	9	(1,323)	-
Disposals	-	(540)	(10)	(1,698)	(208)	81	(2,375)
Depreciation including NZ IFRS 16	(27)	(63)	(10)	(2,007)	(278)	-	(2,385)
Closing net book value	1,999	974	75	6,021	60	591	9,720
Cost	15,522	6,823	2,899	26,722	3,138	13,755	68,859
Accumulated write-downs	(13,523)	(5,849)	(2,824)	(20,701)	(3,078)	(13,164)	(59,139)
Closing net book value	1,999	974	75	6,021	60	591	9,720
Year ended 30 June 2021							
Opening net book value	2,709	1,689	125	12,354	512	598	17,987
Additions	94	-	-	-	48	926	1,068
Transfers	-	-	-	1,067	44	(1,111)	-
Depreciation & other adjustments	(777)	(159)	(30)	(4,989)	(582)	-	(6,537)
Closing net book value	2,026	1,530	95	8,432	22	413	12,518
Cost	15,522	7,368	2,913	30,691	3,035	12,753	72,282
Accumulated write-downs	(13,496)	(5,838)	(2,818)	(22,259)	(3,013)	(12,340)	(59,764)
Closing net book value	2,026	1,530	95	8,432	22	413	12,518

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

	Freehold land	Buildings	Plant & machinery	Furniture and fittings	Total
Year ended 30 June 2022	\$'000	\$'000	\$'000	\$'000	\$'000
Opening net book value	143	307	3,883	48	4,381
Additions	-	12	-	-	12
Disposals	-	-	(462)	-	(462)
Depreciation	(27)	(204)	(811)	(24)	(1,066)
Closing net book value	116	115	2,610	24	2,865

Notes to the financial statements

For the year ended 30 June 2022

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 3.44 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 percent to 6.51 percent 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 - 50 years (3 - 5 years for ROU assets)
• Mine infrastructure	3 - 20 years
• Plant and machinery	2 - 20 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 2022

11. Mining assets

	Note	2022 \$'000	2021 \$'000
Exploration and evaluation assets			
Opening balance		1,790	1,869
Expenditure capitalised		697	150
Impairment of Canterbury mine assets		-	(229)
Impairment of historical balances in Buller Coal project	8	(309)	-
Total exploration and evaluation assets		2,178	1,790
Mining licences/permits and capitalised waste moved in advance			
Opening balance		13,900	32,649
Expenditure capitalised		105	312
Amortisation		(3,653)	(3,129)
Impairment of Canterbury mine assets		-	(7,359)
Impairment of New Brighton historical acquisition value		-	(12,810)
Waste moved in advance capitalised		1,960	4,237
Total mining licences/permits and capitalised waste moved in advance		12,312	13,900
Total mining assets		14,490	15,690

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.

Notes to the financial statements

For the year ended 30 June 2022

11. Mining assets continued

Accounting policy continued

Mining licences/permits

Mining licences/permits 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

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.

Recoverability of mining assets/impairment

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.

Notes to the financial statements

For the year ended 30 June 2022

12. Investment in subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2022 %	2021 %
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 Minerals Limited	New Zealand	Ordinary	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). Bathurst Minerals Limited which was incorporated in 2022 is at present a dormant entity.

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.

Notes to the financial statements

For the year ended 30 June 2022

13. Interest in joint ventures

	2022 \$'000	2021 \$'000
Interest in BT Mining Limited ("BT Mining")	149,962	97,718
Interest in NWP Coal Canada Limited ("NWP")	19,598	16,518
Total interest in joint ventures	169,560	114,236

(a) BT Mining

(a) Balances held in BT Mining

Equity investment	16,250	16,250
Share of retained earnings net of dividends received	133,712	81,468
Total interest in BT Mining	149,962	97,718
Opening balance	97,718	89,543
Receipt of dividend	(9,750)	-
Share of BT Mining profit	53,244	13,283
Share of BT Mining FX hedging through OCI	8,750	(5,108)
Closing balance	149,962	97,718

Bathurst 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.

Bathurst 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.

BT Mining's statement of financial position is shown in note 13 (a) (b), and a summarised income statement for BT Mining is shown in note 2 in the eliminate BT Mining column, of which Bathurst's interest is 65 percent. An unaudited proportionate consolidation of Bathurst and BT Mining is located after the notes to the financial statements.

Impairment assessment

BT Mining is viewed as a single CGU for impairment assessment purposes, comprised of two CGUs within the CGU. In assessing the recoverability of the Stockton mine (Buller Plateau) CGU the value in use future cash flows were calculated with reference to:

- forecast sales of estimated recoverable reserves over the life of the individual mining permits which expire by 2029;
- forecast hard coking coal prices decreasing from USD \$331 to a longer-term average of USD \$170 per tonne, and the long-term relativity of soft coking coal prices to be 68 percent of hard coking coal prices adjusted by management to reflect a price consistent with the historical blended coal quality;
- NZD/USD foreign exchange rate of 0.66; and 0.67 thereafter; and
- a post-tax discount rate of 9.8 percent, pre-tax 13.5%.

In assessing the recoverability of the North Island CGU the value in use future cash flows were calculated with reference to:

- the sale of the estimated recoverable reserves over the life of the individual mining permits between three to eight years;
- assumption that mining permit resource consents can be renewed post FY23;
- assumption that future coal prices are consistent with current contracted prices; and
- a post-tax discount rate of 9.8 percent, pre-tax 13.5%.

Notes to the financial statements

For the year ended 30 June 2022

13. Interest in joint ventures continued

(a) BT Mining continued

Related party transactions

Salaries for employees who work across both Bathurst and BT Mining are recharged so that staff costs are recorded appropriately. For the year ended 30 June 2022 \$2.6m of salaries were recharged from Bathurst to BT Mining (2021: \$2.4m) and \$0.9m recharged from BT Mining to Bathurst (2021: \$0.7m). There was a receivable balance due from BT Mining to Bathurst of \$0.5m (2021: \$0.1m).

Coal sales are made to Bathurst'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 2022 were \$4.2m (2021: \$4.5m).

(b) Statement of financial position	2022 \$'000	2021 \$'000
Cash	87,976	15,670
Restricted short-term deposits	14,620	2,133
Trade and other receivables	36,161	37,337
Crown indemnity	1,797	1,781
Inventories	52,900	31,312
New Zealand emission units	1,910	1,078
Derivative assets	10,850	-
Current assets	206,214	89,311
Property, plant and equipment	93,781	103,314
Mining assets	54,355	59,529
Crown indemnity	47,300	56,746
Other financial assets	114	755
Deferred tax asset	6,507	9,864
Non-current assets	202,057	230,208
TOTAL ASSETS	408,271	319,519
Trade and other payables	33,612	25,973
Tax payable	33,877	7,101
Borrowings	279	5,675
Finance leases	8,061	8,766
Derivative liabilities	-	7,848
Provisions	17,459	6,991
Current liabilities	93,288	62,354
Borrowings	-	723
Finance leases	20,290	26,720
Provisions	63,983	79,388
Non-current liabilities	84,273	106,831
TOTAL LIABILITIES	177,561	169,185
NET ASSETS	230,710	150,334
Share capital	25,000	25,000
Reserves	7,591	(5,871)
Retained earnings net of dividends paid	198,119	131,205
EQUITY	230,710	150,334

Notes to the financial statements

For the year ended 30 June 2022

13. Interest in joint ventures continued

(b) NWP

Balances held in NWP	2022 \$'000	2021 \$'000
Equity investment	19,362	16,253
Equitable share of profit	236	265
Total interest in NWP	19,598	16,518

The investment in NWP is via a wholly owned subsidiary Bathurst Resources (Canada) Limited. 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 \$110m	30%	Construction	In progress
Total	CAD \$121.5m	50%	As above	

Equity funds invested to date equal 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 \$4.0m as part of tranche two. The advance to tranche two consists of \$2.6m issued in exchange for preference shares, and \$1.4m issued in exchange for ordinary shares. BRL holds a 22.1 percent equity holding in NWP including the preference shares. Payment of the balance of tranche two is not expected in the next twelve months.

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 unaudited financials of which Bathurst holds 22.1 percent

Cash	241	275
Other current assets	47	178
Exploration and evaluation assets	41,677	35,336
Other non-current assets	1,825	1,274
TOTAL ASSETS	43,790	37,063
Current liabilities	163	528
Non-current financial liabilities	1,266	5,292
TOTAL LIABILITIES	1,429	5,820
NET ASSETS	42,361	31,243

Notes to the financial statements

For the year ended 30 June 2022

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 equal 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

	2022 \$'000	2021 \$'000
Temporary differences attributable to:		
Tax losses	19,919	13,892
Employee benefits	270	273
Provisions	1,257	2,225
Mining licences	21,001	21,001
Exploration and evaluation expenditure	812	812
Property, plant and equipment	3,548	3,741
Waste moved in advance	3,418	3,418
Other	69	87
Total deferred tax assets	50,294	45,449
Other	-	-
Total deferred tax liabilities	-	-
Net deferred tax asset not recognised	(50,294)	(45,449)
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. Included in the tax losses balance above is an amount of \$1.95m in relation to a prior period adjustment which was made to reflect the available tax losses as per the final tax return.

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 2022

15. Financial liabilities

	2022 \$'000	2021 \$'000
(a) Trade and other payables		
Trade payables	2,292	1,321
Accruals	4,797	3,536
Employee benefit payable	1,279	1,465
Interest payable	-	397
Other payables	-	43
Total trade and other payables	8,368	6,762

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		
<i>Secured</i>		
Lease liabilities	260	983
Total current borrowings	260	983
Non-current		
<i>Secured</i>		
Lease liabilities	508	1,005
Convertible bonds	-	9,353
Total non-current borrowings	508	10,358
Total borrowings	768	11,341

Conversion of convertible bonds

The convertible bonds issued on 1 February 2021 with an original maturity date of 1 August 2022 were converted to ordinary share capital in BRL at the election of the note holders on the 11 May 2022 in accordance with the terms of the subscription agreement. 20.4m shares were issued at a strike price of AUD 0.49.

On the initial recognition of the bonds, the conversion feature (the ability to convert the instrument into shares) was classified as a derivative as it did not meet the 'fixed for fixed' test due to the denomination of the bonds being different to BRL's functional currency. The value recognised in equity on the conversion of the debt to share capital equals the fair value of the conversion feature on the conversion date, plus the amortised amount of principal debt on the conversion date using the effective interest rate method.

The fair value of the conversion option on maturity of the convertible bonds (representing \$13.1m of the value recognised in equity) was determined using a Black Scholes Model that considers the:

- exercise price (AUD 0.49) and volume weighted average share price at the conversion date (AUD 1.066);
- term of the conversion option;
- expected price volatility of the underlying share (97.4 percent) which is based on historical volatility; and
- expected dividend yield.

Notes to the financial statements

For the year ended 30 June 2022

15. Financial liabilities continued

(b) Borrowings continued

Lease liabilities

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.

	2022 \$'000	2021 \$'000
(c) Deferred consideration		
Current - acquisition of subsidiary	920	998
Non-current - acquisition of subsidiary	1,544	2,517
Total deferred consideration	2,464	3,515
Opening balance	3,515	79,317
Unwinding of discount	286	626
Fair value adjustment – New Brighton	(356)	(2,232)
Reversal of fair value of Buller coal project performance payment	-	(57,159)
Foreign exchange movement on Buller coal performance payment	-	(5,086)
Accrued interest on Buller coal project	-	(10,983)
Consideration paid net of movements in accruals during the year	(981)	(968)
Closing balance	2,464	3,515

Buller Coal project

Bathurst acquired Buller Coal Limited (formerly L&M Coal Limited) (“Buller Coal”) from L&M Coal Holdings Limited (“L&M”) in November 2010. The agreement for sale and purchase (“ASP”), 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 royalties on coal sold, two contingent “performance payments” of USD \$40m each, and the contingent issue of performance shares. The first performance payment is prima facie payable upon 25,000 tonnes of coal being shipped from the Buller Coal project area, and 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 both payments are triggered.

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

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

New Brighton Collieries Limited

Acquisition was completed on 10 March 2015. The balance due on settlement is satisfied by an ongoing royalty based on sales revenue. The fair value of the future royalty payments is estimated using a discount rate based upon the Group’s WACC (9.2%), projected production profile based on activity at the Takitimu mine (581kt) and forecast domestic coal prices (\$93 per tonne, inflation adjusted). 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 deferred consideration liability is as follows:

Key input	Change in input	2022		2021	
		Increase in estimate \$'m	Decrease in estimate \$'m	Increase in estimate \$'m	Decrease in estimate \$'m
Discount rate	2 percent	0.1	(0.1)	0.1	(0.2)
Production levels	5 percent	(0.1)	0.2	(0.2)	0.2
Coal prices	\$5 per tonne	(0.1)	0.1	(0.2)	0.2

Notes to the financial statements

For the year ended 30 June 2022

15. Financial liabilities continued

(c) Deferred consideration continued

New Brighton Collieries Limited continued

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).

(d) Fair value measurements

All 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 and convertible bond derivative at fair value through profit or loss.

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.

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.

The fair value of the liability portion of the convertible bonds recognised on issue date was the difference between cash received and the fair value of the conversion option. The liability is amortised to its face value on maturity through the EIR method.

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.

The convertible bond derivative is the conversion option of the convertible bonds and is measured at fair value through profit or loss at each reporting date. The value recognised is determined using a Black Scholes Model for the convertible bonds that includes 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.

Notes to the financial statements

For the year ended 30 June 2022

15. Financial liabilities continued

Accounting policy continued

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).

Deferred consideration is valued at a fair value hierarchy of level 3, with the convertible bond derivative valued at a fair value hierarchy of level 2. The fair value of debt instruments disclosed has been valued at a fair value hierarchy of level 2.

Key judgements and estimates

Deferred consideration

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.

Conversion option of Convertible Bonds

The Group has made a judgement that the conversion feature of the convertible bonds should be classified as a derivative liability. This judgement was made on the basis that the conversion feature does not satisfy 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 remeasured after initial recognition through profit or loss.

The value recognised was determined using a Black Scholes Model for the convertible bonds that includes 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.

Notes to the financial statements

For the year ended 30 June 2022

16. Rehabilitation provisions

	2022 \$'000	2021 \$'000
Current	1,172	3,798
Non-current	4,100	4,914
Total provisions	5,272	8,712
<i>Rehabilitation provision movement:</i>		
Opening balance	8,712	5,866
Unwinding of discount	61	38
Movement in Crown indemnity on acid mine drainage for Sullivan permit	16	182
Movement in provision net of expenditure incurred	(3,517)	2,626
Closing balance	5,272	8,712

The decrease in the provision is due to rehabilitation works completed at the Canterbury mine. Bonds totalling \$4.5m as shown on the face of the statement of financial position (30 June 2021: \$4.2m) are provided to various local councils in respect to future rehabilitation obligations.

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.

Notes to the financial statements

For the year ended 30 June 2022

17. Equity

	2022 Number of shares '000	2021 Number of shares '000
(a) Ordinary fully paid shares		
Opening balance	170,952	1,709,520
Issue of shares from conversion of convertible notes	20,408	-
Share consolidation	-	(1,538,568)
Closing balance	191,360	170,952

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.

Share issue

20.4m shares were issued on conversion of the convertible bonds on 11 May 2022. Refer note 15 (b) for further information.

Dividends

There were no dividends paid or declared during the year.

(b) Contributed equity	\$'000	\$'000
Opening balance	293,107	293,107
Issue of shares from conversion of convertible bonds	23,863	-
Closing balance	316,970	293,107

The value recognised in equity from the conversion of the convertible bonds equals the fair value of the conversion option and the amortised balance of the underlying principal debt value at maturity date. Refer note 15 (b) for further information.

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.

18. Reserves

	2022 \$'000	2021 \$'000
Share-based payment reserve	247	311
Foreign exchange translation reserve	1,456	(64)
Share of BT Mining FX hedging through OCI	4,934	(3,816)
Reorganisation reserve	(32,760)	(32,760)
Total reserves	(26,123)	(36,329)

Notes to the financial statements

For the year ended 30 June 2022

18. Reserves continued

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. Fair value for the rights on issue was calculated using the Black Scholes valuation method as they contain market performance conditions (as detailed below). The fair value for the executive director performance rights was determined to be AU \$0.6982, for the SLT performance rights AU \$0.7642. Key inputs used for the valuations were exercise price (nil), risk free rate (Exec: 0.92%, SLT: 1.48%), weighted average share price (Exec: AU \$0.72, SLT: AU \$0.79), dividend yield (nil), as well as expected volatility in the share price which is based on historical actual volatility (Exec: 80.47%, SLT: 80.39%).

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 and coal price hedging through OCI

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

Reorganisation reserve

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

Details on share-based payments

Grant date	Vesting date	Opening balance 000s	Issued 000s	Lapsed 000s	Closing balance 000s
Executive director performance rights	15 October 2022	460	-	(460)	-
SLT performance rights	15 October 2022	484	-	(484)	-
Executive director performance rights	1 December 2024	-	1,046	-	1,046
SLT performance rights	1 December 2024	-	935	-	935
		944	1,981	(944)	1,981

Performance rights

LTIP performance rights are issued to executive directors and members of the senior leadership team ("SLT") 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 during the year were approved at the 2021 annual general meeting.

Rights 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 1 December 2024 for both the performance rights on issue at year end. BRL also has to achieve a minimum total shareholder return compound annual growth rate for the period 1 July 2021 to and including 30 June 2024 for both issues. Rights lapsed during the year as the total shareholder return compound annual growth rate was not achieved.

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 2022

19. Earnings per share

(a) Earnings per share (“EPS”)	2022 Cents	2021 Cents
Basic EPS	17.55	39.03
Diluted EPS	17.36	35.53

(b) Reconciliation of earnings used in calculation	\$'000	\$'000
Earnings used to calculate basic EPS	30,498	66,721
Interest expense on convertible instruments & movement on convertible bond derivative	-	100
Earnings used in calculation of diluted EPS	30,498	66,821

(c) Weighted average number of shares	Shares 000s	Shares 000s
Weighted average shares used in calculation of basic EPS	173,747	170,952
Dilutive potential ordinary shares (average weighted convertible notes and bonds)	-	17,127
Dilutive potential ordinary shares (performance rights)	1,981	-
Weighted average shares used in calculation of diluted EPS	175,728	188,079

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.

Notes to the financial statements

For the year ended 30 June 2022

20. 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 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.

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 2022. 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.

Liquidity risk

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

Maturities of financial liabilities

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

	Less than 6 months	6 - 12 months	Between 1 – 2 years	Between 2 – 5 years	Over 5 years	Total contractual flows
30 June 2022	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	7,402	-	-	-	-	7,402
Leases	147	147	181	371	7	853
Deferred consideration	492	492	973	927	-	2,884
Total	8,041	639	1,154	1,298	7	11,139

Notes to the financial statements

For the year ended 30 June 2022

20. Financial risk management continued

Liquidity risk continued

30 June 2021	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	5,831	-	-	-	-	5,831
Borrowings	573	582	12,128	-	-	13,283
Leases	531	531	525	453	106	2,146
Deferred consideration	519	519	979	2,079	-	4,096
Total	7,454	1,632	13,632	2,532	106	25,356

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.

Financial instruments by category

	2022 \$'000	2021 \$'000
Financial assets		
<i>Amortised cost</i>		
Cash and cash equivalents	4,765	4,395
Restricted short-term deposits	4,508	4,247
Trade and other receivables	4,357	4,286
Other financial assets	220	1,020
Crown Indemnity	781	764
Total financial assets	14,631	14,712
Financial liabilities		
<i>Amortised cost</i>		
Trade and other payables	8,368	6,762
Borrowings	768	11,341
<i>Fair Value</i>		
Deferred consideration	2,464	3,515
Total financial liabilities	11,600	21,618

Notes to the financial statements

For the year ended 30 June 2022

21. Reconciliation of profit to operating cash flows

	2022 \$'000	2021 \$'000
Profit before income tax	30,498	66,721
Dividend received from BT Mining	9,750	-
<i>Non-cash items:</i>		
Depreciation and amortisation	6,038	6,064
Share-based payments	(64)	(46)
Share of joint venture equity share of profit	(53,196)	(13,235)
<i>Non-operating:</i>		
Movement on rehabilitation provision & discount unwind	(3,438)	3,124
Movement on deferred consideration & discount unwind	(70)	(58,765)
Interest on deferred consideration	-	(10,983)
Interest on debt instruments and finance leases	2,029	1,748
Other	(5)	134
Unrealised FX including movement on deferred consideration	297	(5,620)
Impairments	309	22,455
Loss/(gain) on sale of PPE	681	(375)
Movement in convertible instrument derivatives	12,334	(1,124)
Movement in working capital	2,866	(575)
Cash flow from operating activities	8,029	9,523

22. Key management personnel compensation

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

	Short-term benefits \$'000	Share-based payments \$'000	Total \$'000
30 June 2022			
Management	3,901	248	4,149
Non-executive directors	270	-	270
Total	4,171	248	4,419
30 June 2021			
Management	2,443	241	2,684
Non-executive directors	256	-	256
Total	2,699	241	2,940

Share based payments shown above do not match what is showing in the income statement in note 5. This is because the reversal of share-based payments expense relating to the performance rights issue that lapsed (refer note 18) was excluded for the purposes of this disclosure.

Notes to the financial statements

For the year ended 30 June 2022

23. Contingent liabilities

The Supreme Court judgment on the first Performance Payment (and subsequent action against guarantor)

On 23 December 2016 Bathurst announced that L&M Coal Holdings Limited (“L&M”) had filed legal proceedings in the High Court of New Zealand in relation to an alleged breach of the first USD \$40m Performance Payment described in note 15 (c). After pursuit of this matter through the courts of New Zealand, on 14 July 2021 the Supreme Court upheld Bathurst and Buller Coal’s appeal, setting aside earlier unfavourable judgments given against them by the High Court and Court of Appeal.

The Supreme Court held that, under the terms of the subject share sale contract, the level of royalty payments required to be made in order to enjoy the benefit of an agreed suspension of the Performance Payments (clause 3.10 of the Agreement for Sale and Purchase (“ASP”)) should not be interpreted as royalty payments equal to those arising from a level of mining consistent with that occurring when the relevant shipping volume had been reached. This meant that for so long as Bathurst and Buller Coal were continuing to pay the relevant royalty payments actually due under the terms of the related Royalty Deed (and even if that royalty sum was zero), they were entitled to delay payment of the Performance Payment.

On 22 September 2021 L&M served Bathurst and its subsidiary Buller Coal, with further proceedings. Despite the Supreme Court’s judgment of 14 July 2021, L&M’s new action seeks declarations that would permit it to assert that there has been an event of default by the subsidiary Buller Coal (although not by Bathurst) under a related Deed of Guarantee and Security between the parties. L&M pursues two arguments:

- Primarily, L&M asserts that even though the Supreme Court has held that the first Performance Payment is not a debt that is presently due and payable by Bathurst, the same first Performance Payment is still due and payable by Buller (as guarantor of Bathurst); and
- As a fallback argument, it also asserts that Buller failed to provide sufficient response to an information request it made of Buller on 6 November 2019.

Bathurst and Buller, based on legal advice, consider this latest legal action by L&M to be without merit. The Supreme Court is the highest court in New Zealand, and there are no further rights of appeal from its judgment. A hearing on the merits of L&M’s new action under the Deed of Guarantee and Security was held in June 2022. BRL expects a judgment later this year.

Change in control arbitration – the first and second performance payments

On 4 May 2020 Bathurst announced that L&M had given Bathurst notice that L&M intended to pursue further legal action under the terms of the ASP.

L&M asserted in its notice of request for arbitration that its entitlement to the second Performance Payment of USD \$40m (and the issue to it of performance shares) 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 has led to a third party acquiring a relevant interest (as that concept is understood under Australian law) in more than 50 percent of Bathurst’s shares. And as a second assertion that a grouping of shareholders through a concerted course of action has acquired effective control of Bathurst and therefore has the ability to control the composition of the board of Bathurst New Zealand Ltd (“BNZ”) or may cast, or control the casting of, more than one half of the maximum number of votes that might be cast at a general meeting of BNZ.

Based on legal advice received, the directors believe that it is more than likely that this second claim by L&M would be unsuccessful. Further, the effect of the Supreme Court judgment above is that it is also more than likely that, even if the change in control provision has been triggered – which Bathurst denies – payment of the first and second Performance Payments remains suspended by clause 3.10 of the ASP. The arbitration commenced in July 2022 and owing to scheduling difficulties will not likely conclude until October 2022. BRL expects a judgment in late 2022 or early 2023.

24. Events after the reporting period

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 2022

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

	2022 \$'000	2021 \$'000
Revenue from contracts with customers	353,757	207,204
Realised FX and coal price hedging	(58,559)	5,422
Less: cost of sales	(187,678)	(159,553)
Gross profit	107,519	53,073
Other income	710	889
Equity accounted loss	(48)	(48)
Depreciation	(17,560)	(17,782)
Administrative and other expenses	(22,280)	(18,511)
Fair value movement on deferred consideration	356	62,791
(Loss)/gain on disposal of fixed assets	(705)	375
Impairment losses	(309)	(22,455)
Operating profit before tax	67,683	58,332
Fair value movement on convertible bond derivative	(12,334)	1,124
Finance cost	(4,634)	(5,297)
Finance income	512	16,694
Profit before income tax	51,227	70,853
Income tax expense	(20,730)	(4,132)
Profit after income tax	30,498	66,721

Additional information

For the year ended 30 June 2022

Consolidated statement of financial position

	2022 \$'000	2021 \$'000
Cash and cash equivalents	61,949	14,581
Restricted short-term deposits	14,011	5,633
Trade and other receivables	27,861	28,554
Crown indemnity	1,220	1,158
Inventories	35,880	21,572
New Zealand emission units	1,551	2,194
Derivative assets	7,053	-
Total current assets	149,525	73,692
Property, plant and equipment ("PPE")	70,678	79,672
Mining assets	49,821	54,384
Crown indemnity	31,474	37,649
Interest in joint ventures	19,598	16,518
Deferred tax asset	4,230	6,412
Other financial assets	294	1,511
Total non-current assets	176,095	196,146
TOTAL ASSETS	325,620	269,838
Trade and other payables	30,216	23,644
Tax payable	22,020	4,616
Finance leases	5,500	6,681
Borrowings	181	4,672
Derivative liabilities	-	5,873
Deferred consideration	920	998
Provisions	12,520	8,342
Total current liabilities	71,357	53,843
Borrowings	-	9,823
Finance leases	13,697	18,373
Deferred consideration	1,544	2,517
Provisions	45,689	56,516
Total non-current liabilities	60,930	87,229
TOTAL LIABILITIES	132,287	141,072
NET ASSETS	193,333	128,766
Contributed equity	316,970	293,107
Reserves	(26,123)	(36,329)
Retained earnings net of dividends	(97,514)	(128,012)
EQUITY	193,333	128,766

Additional information

For the year ended 30 June 2022

Consolidated cash flow

	2022	2021
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	293,497	218,422
Payments to suppliers and employees	(198,057)	(157,001)
Taxes paid	(4,547)	(18,151)
Net inflow from operating activities	90,893	43,270
Cash flows from investing activities		
Exploration and evaluation expenditure	(735)	(212)
Mining assets (incl. elevated stripping)	(11,040)	(20,332)
PPE purchases net of disposals	(8,067)	(6,225)
Payment of deferred consideration	(2,261)	(4,629)
Investment in NWP	(809)	(793)
Other	(42)	(182)
Net outflow from investing activities	(22,954)	(32,373)
Cash flows from financing activities		
Repayment of leases net of drawdowns	(7,062)	(8,487)
Interest on leases	(1,207)	(1,448)
Interest on BRL borrowings	(1,251)	(830)
USD bond and convertible note repayment	-	(11,966)
Issue of AUD convertible bonds	-	10,638
Repayment of borrowings net of drawdowns	(2,191)	(3,879)
Interest on borrowings	(369)	(358)
Interest received	117	40
Other finance costs	(230)	(345)
Net outflow from financing activities	(12,193)	(16,635)
Net increase/(decrease) in cash and cash equivalents	55,746	(5,738)
Opening cash and cash equivalents including restricted short-term deposits	20,214	25,952
Closing cash and cash equivalents	75,960	20,214



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 9 to 40:

- i. present fairly in all material respects the consolidated financial position as at 30 June 2022 and its financial performance and cashflows for the year ended on that date in accordance 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 2022;
- the consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies.

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.

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 \$1,600,000 determined with reference to a benchmark of normalised Group operating profit before tax. We chose the benchmark because, in our view, this is a key measure of the Group's performance.

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. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion.

Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter

How the matter was addressed in our audit

Assessment of recoverability of cash-generating unit assets

Refer to note 8 and note 13 of the financial statements.

The recoverability of cash-generating unit assets is a key audit matter due to the judgement involved in assessing the recoverable value of the mining assets.

Key judgements include:

- future coal prices;
- available coal reserves supporting future production levels;
- mining permit and resource consent conditions;
- future operating and capital costs; and
- discount rate.

Government policies have led to increased uncertainty for the industry, and key judgements are inherently subjective and inherently more uncertain during times of economic uncertainty.

The procedures performed to assess the reasonableness of the recoverable value of the cash-generating unit assets included:

- verifying mining permit and resource consent conditions;
- comparing future coal price assumptions with third party contracts and publicly available forward price curves;
- comparing the forecasted production profiles to the JORC reserve reports prepared by management experts;
- challenging the discount rate used by performing sensitivity analysis to consider the impact on the recoverable value assessments;
- verifying the accuracy and completeness of the assets to be written-off where impairments were identified; and
- assessing the disclosures in the consolidated financial statements using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.

As an overall test we compared the Group's net assets as at 30 June 2022 of \$193 million to the Group's market capitalisation of NZ\$228 million based on the share price at 30 June 2022 and noted an implied headroom of \$34 million.

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:

- Testing of revenue related key financial controls.
- 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 entity's annual report. Other information included in the annual report includes the Chairman 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.

Responsibilities 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
Wellington

29 August 2022