BATHURST
RESOURCES LIMITED

2021 Annual Report

Contents

Authorised for and on behalf of the Board of Directors:

Peter Westerhuis
Chairman

26 August 2021

Russell Middleton
Executive director

26 August 2021

Income statement

For the year ended 30 June 2021

	Notes	2021 $'000	2020 $'000
Revenue from contracts with customers	3	48,167	47,011
Cost of sales	4	(38,141)	(36,238)
Gross profit		**10,026**	**10,773**
Equity accounted profit	13	13,235	30,408
Other income		671	127
Depreciation	10	(2,935)	(3,618)
Administrative and other expenses	5	(6,771)	(8,103)
Movement in deferred consideration	15 (c)	59,391	(61,686)
Gain/(loss) on disposal of fixed assets		375	(13)
Impairment losses	8	(22,455)	(325)
Operating profit/(loss) before tax		**51,537**	**(32,437)**
Fair value movement on convertible bond derivative	15 (b)	1,124	-
Finance cost	6	(2,565)	(15,011)
Finance income	6	16,625	22
Profit/(loss) before income tax		**66,721**	**(47,426)**
Income tax benefit	7	-	-
Profit/(loss) after tax		**66,721**	**(47,426)**
Earnings per share:		**Cents**	**Cents**
Basic profit/(loss) per share	19	39.03	(27.82)
Diluted profit/(loss) per share	19	35.53	(27.82)

Statement of comprehensive income

For the year ended 30 June 2021

Profit/(loss) after tax		**66,721**	**(47,426)**
Other comprehensive income ("OCI")			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		280	(274)
Share of BT Mining FX hedging through OCI	13	(5,108)	1,805
Comprehensive income/(loss)		**61,893**	**(45,895)**

Statement of financial position

As at 30 June 2021

	Notes	2021 $'000	2020 $'000
Cash and cash equivalents		4,395	4,495
Restricted short-term deposits		4,247	4,193
Trade and other receivables	9 (a)	4,286	4,012
Inventories		1,219	1,407
New Zealand emission units		1,493	1,011
Crown indemnity		-	291
Total current assets		**15,640**	**15,409**
Property, plant and equipment	10	12,518	17,987
Mining assets	11	15,690	34,518
Interest in joint ventures	13	114,236	105,844
Crown indemnity	16	764	582
Other financial assets		1,020	117
Total non-current assets		**144,228**	**159,048**
TOTAL ASSETS		**159,868**	**174,457**
Trade and other payables	15 (a)	6,762	6,716
Borrowings	15 (b)	983	13,881
Deferred consideration	15 (c)	998	74,361
Rehabilitation provisions	16	3,798	1,145
Convertible bond derivative	15 (b)	772	-
Total current liabilities		**13,313**	**96,103**
Borrowings	15 (b)	10,358	1,758
Deferred consideration	15 (c)	2,517	4,956
Rehabilitation provisions	16	4,914	4,721
Total non-current liabilities		**17,789**	**11,435**
TOTAL LIABILITIES		**31,102**	**107,538**
NET ASSETS		**128,766**	**66,919**
Contributed equity	17	293,107	293,107
Debt instruments equity component	17	-	17,622
Reserves	18	(36,329)	(31,455)
Accumulated losses		(128,012)	(212,355)
EQUITY		**128,766**	**66,919**

For and on behalf of the Board of Directors:

Peter Westerhuis
Chairman
26 August 2021

Russell Middleton
Executive Director
26 August 2021

Statement of changes in equity

For the year ended 30 June 2021

	Note	Contributed equity $'000	Debt instruments equity component $'000	Share-based payments $'000	Foreign exchange/ hedging $'000	Retained earnings $'000	Re-organisation reserve $'000	Total equity $'000
1 July 2019		**286,277**	**22,824**	**293**	**(583)**	**(159,724)**	**(32,760)**	**116,327**
Comprehensive loss		-	-	-	1,531	(47,426)	-	(45,895)
NZ IFRS 16		-	-	-	-	315	-	315
Contributions of equity		6,486	(5,202)	-	-	-	-	1,284
Share-based payments		-	-	408	-	-	-	408
Vesting of rights		344	-	(344)	-	-	-	-
Dividend		-	-	-	-	(5,520)	-	(5,520)
30 June 2020		**293,107**	**17,622**	**357**	**948**	**(212,355)**	**(32,760)**	**66,919**
Comprehensive income		-	-	-	(4,828)	66,721	-	61,893
Share-based payments		-	-	(46)	-	-	-	(46)
Maturity of debt instruments	17	-	(17,622)	-	-	17,622	-	-
30 June 2021		**293,107**	**-**	**311**	**(3,880)**	**(128,012)**	**(32,760)**	**128,766**

Statement of cash flows

For the year ended 30 June 2021

	Notes	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers		48,134	47,361
Payments to suppliers and employees		(38,611)	(40,231)
Dividend from BT Mining		-	13,000
Net cash inflow from operating activities	**20**	**9,523**	**20,130**
Cash flows from investing activities			
Exploration and consenting expenditure		(208)	(1,189)
Mining assets (including capitalised waste moved in advance)		(4,589)	(7,030)
Property, plant and equipment purchases		(1,108)	(2,697)
Proceeds from disposal of property, plant and equipment		2,147	-
Deferred consideration		(1,173)	(950)
NWP Coal Canada Limited	13 (b)	(793)	(6,146)
Other		(182)	(178)
Net cash outflow from investing activities		**(5,906)**	**(18,190)**
Cash flows from financing activities			
Dividend		-	(5,520)
Interest received		27	57
Other finance costs paid		(158)	(383)
Interest on leases		(143)	(242)
Repayment of leases		(1,231)	(2,641)
Drawdown on leases		-	208
Interest on debt instruments		(830)	(2,395)
Issue of AUD convertible bonds		10,638	-
Debt instrument principal repayment		(11,966)	(6,371)
Net cash outflow from financing activities		**(3,663)**	**(17,287)**
Net decrease in cash		**(46)**	**(15,347)**
Cash and cash equivalents at the beginning of the year		4,495	20,005
Restricted short-term deposits at the beginning of the year		4,193	4,030
Total cash at the end of the year		**8,642**	**8,688**

Notes to the financial statements

For the year ended 30 June 2021

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 2021 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 26 August 2021.

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.

Notes to the financial statements

For the year ended 30 June 2021

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.

New accounting standards not yet effective

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

Standards and interpretations adopted during the year

The financial information presented for the year ended 30 June 2021 has been prepared using accounting policies consistent with those applied in the 30 June 2020 financial statements.

2. Segment information

The operating segments reported on are:

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

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

Two BRL customers met the reporting threshold of 10 percent of BRL's operating revenue in the year to 30 June 2021, contributing $22.9m and $8.9m (2020: two customers, $20.2m and $9.2m).

Year ended 30 June 2021	**Export $'000**	**Domestic $'000**	**Corporate $'000**	**Total $'000**	**Eliminate BT Mining $'000**	**Total BRL $'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**[1]
Net finance costs	(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**[1]
Depreciation, amortisation & impairment	21,329	54,925	803	77,057	(48,538)	28,519
EBITDA[2]	29,403	71,572	(15,011)	85,964	(75,647)	10,317

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

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

Notes to the financial statements

For the year ended 30 June 2021

2. Segment information continued

Year ended 30 June 2020	Export $'000	Domestic $'000	Corporate $'000	Total $'000	Eliminate BT Mining $'000	Total BRL $'000
Revenue from contracts with customers	175,307	146,479	-	321,786	(274,775)	47,011
Operating loss before tax	**44,679**	**41,179**	**(81,505)**	**4,353**	**(66,887)**	**(32,437)**
Net finance costs	(2,034)	(682)	(20,562)	(23,278)	8,289	(14,989)
Income tax expense	-	-	(12,295)	(12,295)	12,295	-
Comprehensive loss after tax	**40,840**	**39,006**	**(106,758)**	**(26,912)**	**(49,080)**	**(45,895)**
Depreciation & amortisation	19,453	22,830	779	43,062	(35,975)	7,087
EBITDA	65,579	64,519	(15,650)	114,448	(107,638)	6,810

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

	2021 $'000	2020 $'000
Coal sales	33,247	33,454
Freight and ash disposal revenue	14,920	13,557
Sales revenue from contracts with customers	**48,167**	**47,011**

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 2021

4. Cost of sales

	Note	2021 $'000	2020 $'000
Raw materials, mining costs and consumables used		12,557	10,082
Freight costs		12,207	12,052
Mine labour costs		10,012	10,416
Amortisation expenses		3,129	3,469
Changes in inventories of finished goods and work in progress		236	219
Total cost of sales		**38,141**	**36,238**

5. Administrative and other expenses

Administrative and other expenses include the following items:

Remuneration of auditors		205	220
Directors' fees		255	238
Legal fees		1,585	1,397
Consultants		1,050	916
Employee benefit expense		2,113	2,238
Rent		84	70
Share-based payments	18	(46)	408

Included in remuneration of auditors is $63k relating to the half year review with the remainder for end of year audit fees.

6. Net finance costs

Interest income		18	22
Reversal of accrued interest on deferred consideration	15 (c)	10,983	-
Foreign exchange movement on deferred consideration	15 (c)	5,086	-
Unrealised foreign exchange gain on debt instruments		538	-
Total finance income		**16,625**	**22**
Interest on deferred consideration		-	(10,983)
Interest expense on finance leases		(153)	(242)
Interest expense on debt instruments		(1,596)	(1,978)
Realised foreign exchange loss		(1)	(63)
Unrealised foreign exchange loss on debt instruments		-	(716)
Rehabilitation provisions unwinding of discount	16	(38)	(72)
Deferred consideration unwinding of discount	15 (c)	(626)	(785)
Other finance costs		(151)	(172)
Total finance costs		**(2,565)**	**(15,011)**
Total net finance income/(costs)		**14,060**	**(14,989)**

7. Income tax benefit

(a) Income tax benefit	2021 $'000	2020 $'000
Current tax	6,328	784
Deferred tax	(6,328)	(784)
Income tax benefit	**-**	**-**
Reconciliation of income tax benefit to tax payable		
Profit/(loss) before income tax	66,721	(47,426)
Tax at the standard New Zealand rate of 28 percent	18,682	(13,279)
Tax effects of amounts not assessable in calculating taxable income:		
Share of joint venture equity profit	(3,705)	(8,516)
Dividend from BT Mining	-	5,056
Other permanent adjustments including movement on deferred consideration	(19,876)	17,553
Other deferred tax movements	4,899	(814)
Income tax benefit	**-**	**-**
(b) Imputation credits		
Opening balance imputation credit account	15,577	12,662
Imputation credits attached to dividends received and other items	1	5,033
Imputation credits used on dividend paid to shareholders	-	(2,118)
Imputation credits available for use in future periods	**15,578**	**15,577**

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 2021

8. Impairment

	Note	2021 $'000	2020 $'000
Bad-debt write-off		-	109
Impairment of property, plant and equipment		-	216
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		**22,455**	**325**

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

- Bathurst domestic coal, as the Timaru coal yard cannot generate its own cash flows independent of the mines. This includes the Takitimu mine and the Timaru coal yard. The Canterbury mine ceased operating in June 2021.
- Buller Coal project, as there is a large amount of shared infrastructure between the proposed mines, necessary blending of the pit products at the same site, and the similar geographical location of the pits.
- Cascade mine, as the mine when in operation had established domestic markets which allowed a profitable operation without relying on infrastructure to be built for the Buller Coal project.

Bathurst domestic coal

Canterbury mine asset impairments

An impairment has been recognised on assets relating to the Canterbury mine, which ceased operating in June 2021. The impairment relating to the Canterbury mine forms part of the domestic segment, as reported in note 2. Mining assets of $7.6m have been fully impaired. The amounts impaired include previously capitalised waste moved in advance, and previously capitalised mine development costs. A thorough review of property, plant and equipment ("PPE") was also undertaken, with an immediate write-off of $2.0m identified. Remaining PPE value of $3.8m will be realised through transfer to other mine sites, or through a sale of the assets.

New Brighton historical acquisition value impairment

The remaining assets in the Bathurst domestic coal CGU were separately assessed for indicators of impairment. A condition of the recently granted access arrangement to allow further exploration drilling for the New Brighton permit is a publicly notifiable resource consent process. As this decreases the certainty of being able to generate future cash flows from this permit, an impairment assessment was performed.

The net realisable value of the CGU was determined by estimating future cash flows, done with reference to forecast sales that are aligned with customer contracts and reserve tonnes that are consented and permitted, and exclude resource tonnes from the New Brighton permit. The cash flows were discounted at a post-tax discount rate of 8.3 percent. As a result of this assessment, an impairment of $12.9m was recognised against a historical acquisition value relating to the original purchase of the New Brighton permit, that sat within mining assets.

Buller Coal project

The Buller Coal project was previously fully impaired in the year ended 30 June 2015. The Buller Coal project has remained on care and maintenance and management have no immediate plans to reinstate the project. The CGU remains fully impaired at 30 June 2021.

Cascade mine

The Cascade mine was placed on care and maintenance during the year ended 30 June 2016 and remains on care and maintenance at 30 June 2021. The mine is nearing being fully rehabilitated and will be removed as a CGU at that time.

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.

9. Financial assets

(a) Trade and other receivables	2021 $'000	2020 $'000
Trade receivables from contracts with customers	3,518	2,893
Receivable from BT Mining	90	293
Other receivables and prepayments	678	826
Total trade and other receivables	**4,286**	**4,012**

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 21. 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 2021

10. Property, plant and equipment

Year ended 30 June 2021	Freehold land $'000	Buildings $'000	Mine infrastructure $'000	Plant & machinery $'000	Furniture and fittings $'000	Work in progress $'000	Total $'000
Opening net book value	**2,709**	**1,689**	**125**	**12,354**	**512**	**598**	**17,987**
Additions including NZ IFRS 16	94	-	-	-	48	926	1,068
Transfers	-	-	-	1,067	44	(1,111)	-
Disposals	(750)	(46)	-	(782)	(37)	-	(1,615)
Depreciation	-	(69)	(13)	(2,106)	(161)	-	(2,349)
IFRS 16 depreciation	(27)	-	-	(333)	(226)	-	(586)
Impairment (refer note 8)	-	(44)	(17)	(1,838)	(158)	-	(2,057)
Reversal of impairment	-	-	-	70	-	-	70
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**
Year ended 30 June 2020							
Opening net book value	**2,328**	**911**	**139**	**12,787**	**589**	**485**	**17,239**
Additions	88	701	-	1,360	49	2,221	4,419
Transfers	305	342	-	1,029	114	(1,790)	-
Depreciation & other adjustments	(12)	(265)	(14)	(2,822)	(240)	(318)	(3,671)
Closing net book value	**2,709**	**1,689**	**125**	**12,354**	**512**	**598**	**17,987**
Cost	16,178	7,460	2,913	31,917	2,982	12,938	74,388
Accumulated write-downs	(13,469)	(5,771)	(2,788)	(19,563)	(2,470)	(12,340)	(56,401)
Closing net book value	**2,709**	**1,689**	**125**	**12,354**	**512**	**598**	**17,987**

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

Year ended 30 June 2021	Freehold land $'000	Buildings $'000	Plant & machinery $'000	Furniture and fittings $'000	Total $'000
Opening net book value	**76**	**504**	**4,943**	**29**	**5,552**
Additions	94	-	137	48	279
Depreciation	(27)	(197)	(1,197)	(29)	(1,450)
Closing net book value	**143**	**307**	**3,883**	**48**	**4,381**

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 2021

11. Mining assets

Exploration and evaluation assets	Note	2021 $'000	2020 $'000
Opening balance		**1,869**	**680**
Expenditure capitalised		150	1,189
Impairment of Canterbury mine assets	8	(229)	-
Total exploration and evaluation assets		**1,790**	**1,869**
Mining licences/permits and property assets			
Opening balance		**32,649**	**29,103**
Expenditure capitalised		312	1,159
Amortisation		(3,129)	(3,469)
Impairment of Canterbury mine assets	8	(7,359)	-
Impairment of New Brighton historical acquisition value	8	(12,810)	-
Waste moved in advance capitalised		4,237	5,856
Total mining licences/permits and property assets		**13,900**	**32,649**
Total mining assets		**15,690**	**34,518**

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 2021

11. Mining assets continued

Accounting policy continued

Mining licences/permits and properties

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

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

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

Waste moved in advance

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

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

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

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

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

Key judgements and estimates

Waste moved in advance

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 2021

12. Investment in subsidiaries

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

			Equity holding	
Name of entity	**Country of incorporation**	**Class of shares**	**2021 %**	**2020 %**
BR Coal Pty Limited	Australia	Ordinary	100	100
Bathurst New Zealand Limited	New Zealand	Ordinary	100	100
Bathurst Coal Holdings Limited	New Zealand	Ordinary	100	100
Buller Coal Limited	New Zealand	Ordinary	100	100
Bathurst Coal Limited	New Zealand	Ordinary	100	100
New Brighton Collieries Limited	New Zealand	Ordinary	100	100
Bathurst Resources (Canada) Limited	Canada	Ordinary	100	100

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

Accounting policy

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

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

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

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

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

Notes to the financial statements

For the year ended 30 June 2021

13. Interest in joint ventures

	2021 $'000	2020 $'000
Interest in BT Mining Limited ("BT Mining")	97,718	89,543
Interest in NWP Coal Canada Limited ("NWP")	16,518	16,301
Total interest in joint ventures	**114,236**	**105,844**

(a) BT Mining

(a) Balances held in BT Mining		
Equity investment	16,250	16,250
Share of retained earnings net of dividends received	81,468	73,293
Total interest in BT Mining	**97,718**	**89,543**
Opening balance	**89,543**	**70,723**
Receipt of dividend	-	(13,000)
Share of BT Mining profit	13,283	30,097
Share of BT Mining FX hedging through OCI	(5,108)	1,805
Share of adjustment to retained earnings on adoption of NZ IFRS 16	-	(82)
Closing balance	**97,718**	**89,543**

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. For an unaudited proportionate consolidation of Bathurst and BT Mining, refer to the additional information section of these financial statements, 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 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 ranging between USD $155 - $162 per tonne and soft coking coal prices between USD $96 to $100 per tonne adjusted by management to reflect a price consistent with the historical blended coal quality;
- NZD/USD foreign exchange rate of 0.75; 0.74 and 0.72 thereafter; and
- a post-tax discount rate of 8.3 percent.

In assessing the recoverability of the North Island CGU the 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 8.3 percent.

Notes to the financial statements

For the year ended 30 June 2021

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 between the two companies so that staff costs are recorded appropriately. For the year ended 30 June 2021 $2.4m of salaries were recharged from Bathurst to BT Mining (2020: $2.7m) and $0.7m recharged from BT Mining to Bathurst (2020: $0.7m).

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 2021 were $4.5m (2020: $4.2m).

(b) Statement of financial position	2021 $'000	2020 $'000
Cash	15,670	24,427
Restricted short-term deposits	2,133	2,133
Trade and other receivables	37,337	35,611
Crown indemnity	1,781	4,178
Inventories	31,312	39,689
New Zealand emission units	1,078	1,166
Derivative assets	-	3,068
Current assets	**89,311**	**110,272**
Property, plant and equipment	103,314	107,511
Mining assets	59,529	62,998
Crown indemnity	56,746	56,881
Other financial assets	755	761
Deferred tax asset	9,864	6,819
Non-current assets	**230,208**	**234,970**
TOTAL ASSETS	**319,519**	**345,242**
Trade and other payables	25,973	30,323
Tax payable	7,101	28,684
Borrowings	14,441	16,830
Derivative liabilities	7,848	-
Deferred consideration	-	4,485
Provisions	6,991	4,003
Current liabilities	**62,354**	**84,325**
Borrowings	27,443	36,289
Deferred consideration	-	3,634
Provisions	79,388	83,236
Non-current liabilities	**106,831**	**123,159**
TOTAL LIABILITIES	**169,185**	**207,484**
NET ASSETS	**150,334**	**137,758**
Share capital	25,000	25,000
Reserves	(5,871)	1,988
Retained earnings net of dividends paid	131,205	110,770
EQUITY	**150,334**	**137,758**

13. Interest in joint ventures continued

(b) NWP

Balances held in NWP	2021 $'000	2020 $'000
Equity investment	16,253	16,063
Equitable share of profit	265	238
Total interest in NWP	**16,518**	**16,301**

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 $110.m	30%	Construction	In progress
Total	**CAD $121.5m**	**50%**	**As above**	

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 $2.6m as part of tranche two, issued in exchange for preference shares in NWP. This represents a 22.2 percent equity holding in NWP. Payment of the balance of tranche two is not expected in the next twelve months. Funds of CAD $0.7m were issued during the year as a non-callable cash loan which are in other non-current assets.

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 22.2 percent		
Cash	275	1,349
Other current assets	178	129
Exploration and evaluation assets	35,336	30,037
Other non-current assets	1,274	1,264
TOTAL ASSETS	**37,063**	**32,779**
Current liabilities	528	461
Non-current financial liabilities	5,292	1,219
TOTAL LIABILITIES	**5,820**	**1,680**
NET ASSETS	**31,243**	**31,099**

(c) Bathurst Industrial Coal Limited

The Company holds a 50 percent shareholding in Bathurst Industrial Coal Limited. This venture has ceased to operate and will be wound up. There are no balances pertaining to this joint venture in the Group's results.

Notes to the financial statements

For the year ended 30 June 2021

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

Temporary differences attributable to:	2021 $'000	2020 $'000
Tax losses	13,892	16,443
Employee benefits	273	355
Provisions	2,225	1,651
Mining licences	21,001	16,744
Exploration and evaluation expenditure	812	812
Property, plant and equipment	3,741	2,936
Waste moved in advance	3,418	2,027
Other	87	100
Total deferred tax assets	**45,449**	**41,068**
Other	-	(35)
Total deferred tax liabilities	**-**	**(35)**
Net deferred tax asset not recognised	(45,449)	(41,033)
Net deferred tax asset	**-**	**-**

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

Accounting policy

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

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

Notes to the financial statements

For the year ended 30 June 2021

15. Financial liabilities

(a) Trade and other payables	2021 $'000	2020 $'000
Trade payables	1,321	2,236
Accruals	3,536	2,496
Employee benefit payable	1,465	1,611
Interest payable	397	204
Other payables	43	169
Total trade and other payables	**6,762**	**6,716**

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

(b) Borrowings		
Current		
Secured		
Lease liabilities	983	1,460
Subordinated bonds	-	6,023
Bank borrowings backing property, plant and equipment	-	23
Unsecured		
Convertible notes	-	6,375
Total current borrowings	**983**	**13,881**
Non-current		
Secured		
Lease liabilities	1,005	1,758
Convertible bonds	9,353	-
Total non-current borrowings	**10,358**	**1,758**
Total borrowings	**11,341**	**15,639**

A summary of key details of the convertible bonds are noted below:

Instrument	Denomination currency	Face value $m	Coupon rate %	Issue date	Maturity date	Per bond conversion # shares
Convertible bonds	AUD	$10.0m	9%	1/02/2021	1/08/2022	102,041

New convertible bonds

The USD subordinated bonds and NZD convertible notes previously on issue matured on 1 February 2021. In order to maintain working capital in the short to medium term, the majority of the funds were transferred into a new convertible bond issued on the same date. 200 convertible bonds were issued for a $50k subscription price.

Notes to the financial statements

For the year ended 30 June 2021

15. Financial liabilities continued

(b) Borrowings continued

New convertible bonds continued

On recognition of a convertible instrument, the underlying debt liability and conversion feature (the ability to convert the instrument into shares) must be assessed separately for classification. A key judgement applied is with respect to whether the conversation feature can be classified as equity.

Whether a conversion feature can classify as equity is known as the 'fixed for fixed' test. The conversion feature must represent a fixed amount of debt principal convertible into a fixed quantity of shares (equity). The result of classifying the conversion feature as equity is that the value attributed to the conversion feature does not have to be subsequently remeasured after initial recognition. If the conversion feature fails the fixed for fixed test, the conversion feature must be classified as a derivative liability and re-measured at each reporting date at fair value through profit or loss.

Because the new debt principal is in AUD, when it is translated to BRL's functional currency (NZD), this creates variability in the amount recorded from movements in the AUD/NZD exchange rate. For this reason, the conversion feature of the new convertible bonds has been classified as a derivative liability. The fair value of the conversion feature was determined first, with the residual value assigned to the debt liability which will be amortised to its face value on maturity through the effective interest rate method.

Fair value of the conversion option of $0.8m at 30 June 2021 was determined using a Black Scholes Model that takes into account the:

- exercise price (AUD 0.49) and volume weighted average share price at the reporting date (AUD 0.34);
- term of the conversion option;
- expected price volatility of the underlying share (53.4 percent) which is based on historical volatility;
- expected dividend yield; and
- the risk-free interest rate for the term of the conversion option based on Australian government bond yields (0.06 percent).

Redemption

The bond holder at any time after the issue date and before the maturity date can redeem the bonds if BRL's shares cease to be listed or admitted to trading on the ASX, or are suspended for trading for more than 90 consecutive trading days; or an event of default occurs; or a change of control occurs.

BRL can at any time up until 10 days before maturity date elect for the redemption of the bonds, at an amount equal to 105 percent of the face value of the bonds.

Ranking

The bonds are a secured debt facility and except as required by law and subjected to any permitted security interest, rank ahead of all unsecured and subordinated obligations of BRL. There is a general security deed in favour of bond holders, with certain asset and security exclusions.

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.

(c) Deferred consideration	**2021 $'000**	**2020 $'000**
Current - acquisition of subsidiary	998	74,361
Non-current - acquisition of subsidiary	2,517	4,956
Total deferred consideration	**3,515**	**79,317**
Opening balance	79,317	6,809
Unwinding of discount	626	785
Fair value adjustment – Canterbury Coal and New Brighton	(2,232)	(561)
Reversal of fair value of Buller coal project performance payment	(57,159)	62,247
Foreign exchange movement on Buller coal performance payment	(5,086)	-
Accrued interest on Buller coal project	(10,983)	10,983
Consideration paid net of movements in accruals during the year	(968)	(946)
Closing balance	**3,515**	**79,317**

15. Financial liabilities continued

(c) Deferred consideration continued

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.

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.

Canterbury Coal Limited

The final royalties accrual for the Canterbury mine was based on actual sales tonnes before the mine ceased operating at the end of June 2021.

New Brighton Collieries Limited

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

		2021		2020	
Key input	**Change in input**	**Increase in estimate $'m**	**Decrease in estimate $'m**	**Increase in estimate $'m**	**Decrease in estimate $'m**
Discount rate	2 percent	0.1	(0.2)	0.2	(0.3)
Production levels	5 percent	(0.2)	0.2	(0.3)	0.2
Coal prices	$5 per tonne	(0.2)	0.2	(0.2)	0.3

Security

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

15. Financial liabilities continued

(d) Fair value measurements

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

Instrument	2021 Fair value $'000	2021 Carrying value $'000
Convertible bonds	10,776	9,353

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

Accounting policy

Initial recognition and measurement

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

Subsequent measurement

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

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

Borrowings denominated in foreign currency are re-translated at each reporting period to account for unrealised foreign exchange movements.

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.

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 2021

16. Rehabilitation provisions

	2021 $'000	2020 $'000
Current	3,798	1,145
Non-current	4,914	4,721
Total provisions	**8,712**	**5,866**
Rehabilitation provision movement:		
Opening balance	5,866	5,675
Change recognised in the mining and property asset	-	(15)
Unwinding of discount	38	72
Movement in Crown indemnity on acid mine drainage for Sullivan permit	182	211
Movement in provision net of expenditure incurred	2,626	(77)
Closing balance	**8,712**	**5,866**

The increase in the provision is due to the closure of the Canterbury mine. Cash outflows that had been forecast for future periods and previously discounted were bought forward as the rehabilitation is now expected to be completed in the next 12 months. Bonds totalling $4.2m (30 June 2020: $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 2021

17. Equity

(a) Ordinary fully paid shares	2021 Number of shares '000	2020 Number of shares '000
Opening balance	**1,709,520**	**1,665,177**
Issue of shares from conversion of convertible notes	-	41,788
Issue of shares from vesting of performance rights	-	2,555
Share consolidation	(1,538,568)	-
Closing balance	**170,952**	**1,709,520**

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 consolidation

A 10:1 share consolidation was implemented during the year. There were no other changes to equity.

Dividends

There were no dividends paid or declared during the year.

(b) Contributed equity	$'000	$'000
Opening balance	**293,107**	**286,277**
Issue of shares from conversion of convertible notes	-	6,486
Issue of shares from vesting of performance rights	-	344
Closing balance	**293,107**	**293,107**

(c) Debt instruments equity component		
Opening balance	**17,622**	**22,824**
Transfer to contributed equity on conversion of convertible notes	-	(5,202)
Transferred to retained earnings on maturity of underlying debt instrument	(17,622)	-
Closing balance	**-**	**17,622**

The balance sitting in debt instrument equity component, which reflected the conversion option implicit in the previous NZD convertible notes, was transferred to retained earnings when the debt instruments matured on 1 February 2021.

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.

Notes to the financial statements

For the year ended 30 June 2021

18. Reserves

	2021 $'000	2020 $'000
Share-based payment reserve	311	357
Foreign exchange translation reserve	(64)	(344)
Share of BT Mining FX hedging through OCI	(3,816)	1,292
Reorganisation reserve	(32,760)	(32,760)
Total reserves	**(36,329)**	**(31,455)**

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). This method calculates the fair value using the key inputs of the exercise price and option life, as well as expected volatility in the share price which is based on historical actual volatility.

Foreign exchange translation reserve

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

Share of BT Mining FX hedging through OCI

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

Reorganisation reserve

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

Details on share-based payments

Grant date	Vesting date	Opening balance 000s	Issued 000s	Lapsed 000s	Closing balance 000s
LTIP performance rights 2020					
August 2020	15 October 2022	-	460	-	460
LTIP performance rights 2018					
December 2018	15 October 2021	459	-	(459)	-
LTIP performance rights 2019					
January 2020	15 October 2022	484	-	-	484
		943	**460**	**(459)**	**944**

Long term incentive plan ("LTIP") 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 were approved at the 2018 AGM and 2019 AGM respectively. Rights issued in 2020 were to members of the SLT.

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 15 October 2022 for both the performance rights on issue at year end. The Company also has to achieve a total shareholder return compound annual growth rate for the period 1 July 2019 to and including 30 June 2022 for both issues.

The 2018 rights issue lapsed during the year, as the total shareholder return compound annual growth rate was not achieved.

Notes to the financial statements

For the year ended 30 June 2021

18. Reserves continued

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.

19. Earnings per share

(a) Earnings per share ("EPS")	2021 Cents	2020 Cents
Basic EPS	39.03	(27.82)
Diluted EPS	35.53	(27.82)

(b) Reconciliation of earnings used in calculation	$'000	$'000
Earnings/(loss) used to calculate basic EPS	**66,721**	**(47,426)**
Interest expense on convertible instruments & movement on convertible bond derivative	100	-
Earnings/(loss) used in calculation of diluted EPS	**66,821**	**(47,426)**

(c) Weighted average number of shares	Shares 000s	Shares 000s
Weighted average shares used in calculation of basic EPS	**170,952**	**170,484**
Dilutive potential ordinary shares (average weighted convertible notes and bonds)	17,127	-
Weighted average shares used in calculation of diluted EPS	**188,079**	**170,484**

The weighted average shares used in the calculation of EPS was re-stated for the prior period to account for the share consolidation.

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 2021

20. Reconciliation of profit to operating cash flows

	2021 $'000	2020 $'000
Profit/(loss) before income tax	**66,721**	**(47,426)**
Dividend received from BT Mining	-	13,000
Non-cash items:		
Depreciation and amortisation	6,064	7,088
Share-based payments	(46)	408
Share of joint venture equity share of profit	(13,235)	(30,408)
Movement on rehabilitation provision & discount unwind	3,124	628
Non-operating		
Movement on deferred consideration & discount unwind	(58,765)	62,476
Interest on deferred consideration	(10,983)	10,983
Interest on debt instruments and finance leases	1,748	2,095
Other	134	228
Unrealised FX including movement on deferred consideration	(5,620)	716
Impairments	22,455	325
(Gain)/loss on sale of PPE	(375)	13
Movement in convertible instrument derivatives	(1,124)	
Movement in working capital	(575)	4
Cash flow from operating activities	**9,523**	**20,130**

21. Financial risk management

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

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

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

Market risk

Foreign exchange risk

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

The Group assesses foreign currency exposures by assessing the potential impact of changes in the FX rate on profit on material balances denominated in foreign currency, assuming a percentage movement in the FX rate based on recent historical movements, as follows:

Liability	Face value	2021 +2% $'000	2021 -2% $'000
Convertible bonds	AUD $10.0m	233	(237)

21. Financial risk management continued

Credit risk

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

Risk management

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

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

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

Impairment

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

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

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

The assessed impairment loss for all financial assets was immaterial at 30 June 2021. 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.

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**

21. Financial risk management continued

Liquidity risk continued

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

Borrowings at 30 June 2021 are convertible bonds. These can be converted to ordinary shares in the Company, so future repayments may not occur if the bond holders elect to transfer their holding to shares.

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

Financial assets	2021 $'000	2020 $'000
Amortised cost		
Cash and cash equivalents	4,395	4,495
Restricted short-term deposits	4,247	4,193
Trade and other receivables	4,286	4,012
Other financial assets	1,020	117
Crown Indemnity	764	873
Total financial assets	**14,712**	**13,690**
Financial liabilities		
Amortised cost		
Trade and other payables	6,762	6,716
Borrowings	11,341	15,639
Fair Value		
Deferred consideration	3,515	79,317
Total financial liabilities	**21,618**	**101,672**

Notes to the financial statements

For the year ended 30 June 2021

22. Key management personnel compensation

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

30 June 2021	Short-term benefits $'000	Share-based payments $'000	Total $'000
Management	2,443	241	2,684
Non-executive directors	256	-	256
Total	**2,699**	**241**	**2,940**
30 June 2020			
Management	2,965	374	3,339
Non-executive directors	214	34	248
Total	**3,179**	**408**	**3,587**

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 2018 performance rights issue that lapsed (refer note 18) was excluded for the purposes of this disclosure.

23. Contingent liabilities

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 pursuing this matter through the courts of New Zealand, on 14 July 2021 the Supreme Court upheld Bathurst's appeal, setting aside earlier unfavourable judgments given by the High Court and Court of Appeal.

The Supreme Court did find that the first performance payment of USD $40m had been triggered. However the court also ruled that clause 3.10 of the Agreement for Sale and Purchase ("ASP") between Bathurst and L&M meant that for so long as Bathurst was continuing to pay the relevant royalty payments due under the Royalty Deed (even if that royalty sum was zero), then payment of the performance payments is suspended.

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 second performance payment is also suspended by clause 3.10 of the ASP.

24. Events after the reporting period

As disclosed in note 23, on 14 July 2021 the Supreme Court of New Zealand upheld Bathurst's appeal regarding a claim filed against Bathurst by L&M. The effect of this judgment was that the performance payment was no longer determined to be a provision, but a contingent liability. This was assessed to be an adjusting event after the reporting period, which meant that the previously accrued principal and interest pertaining to this claim were reversed.

There were 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 2021

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

	2021 $'000	2020 $'000
Revenue from contracts with customers	207,204	225,615
Realised FX and coal price hedging	5,422	7,061
Less: cost of sales	(159,553)	(155,101)
Gross profit	**53,073**	**77,575**
Other income	889	1,072
Equity accounted (loss)/profit	(48)	311
Depreciation	(17,782)	(17,783)
Administrative and other expenses	(18,511)	(19,672)
Fair value movement on deferred consideration	62,791	(60,045)
Gain/(loss) on disposal of fixed assets	375	(13)
Impairment losses	(22,455)	(502)
Operating profit/(loss) before tax	**58,332**	**(19,057)**
Fair value movement on convertible bond derivative	1,124	-
Finance cost	(5,297)	(20,519)
Finance income	16,694	142
Profit/(loss) before income tax	**70,853**	**(39,434)**
Income tax expense	(4,132)	(7,992)
Profit/(loss) after income tax	**66,721**	**(47,426)**

Additional information

For the year ended 30 June 2021

Consolidated statement of financial position

	2021 $'000	2020 $'000
Cash and cash equivalents	14,581	20,373
Restricted short-term deposits	5,633	5,579
Trade and other receivables	28,554	27,159
Crown indemnity	1,158	3,007
Inventories	21,572	27,205
New Zealand emission units	2,194	1,769
Derivative assets	-	1,994
Total current assets	**73,692**	**87,086**
Property, plant and equipment ("PPE")	79,672	87,869
Mining assets	54,384	75,467
Crown indemnity	37,649	37,555
Interest in joint ventures	16,518	16,301
Deferred tax asset	6,412	4,432
Other financial assets	1,511	612
Total non-current assets	**196,146**	**222,236**
TOTAL ASSETS	**269,838**	**309,322**
Trade and other payables	23,644	26,426
Tax payable	4,616	18,645
Borrowings	10,370	24,821
Derivative liabilities	5,873	-
Deferred consideration	998	77,276
Provisions	8,342	3,747
Total current liabilities	**53,843**	**150,915**
Borrowings	28,196	25,346
Deferred consideration	2,517	7,318
Provisions	56,516	58,824
Total non-current liabilities	**87,229**	**91,488**
TOTAL LIABILITIES	**141,072**	**242,403**
NET ASSETS	**128,766**	**66,919**
Contributed equity	293,107	293,107
Debt instruments equity component	-	17,622
Reserves	(36,329)	(31,455)
Retained earnings net of dividends	(128,012)	(212,355)
EQUITY	**128,766**	**66,919**

Additional information

For the year ended 30 June 2021

Consolidated cash flow

	2021 $'000	2020 $'000
Cash flows from operating activities		
Receipts from customers	218,422	240,696
Payments to suppliers and employees	(157,001)	(164,620)
Taxes paid	(18,151)	(9,304)
Net inflow from operating activities	**43,270**	**66,772**
Cash flows from investing activities		
Exploration and evaluation expenditure	(212)	(1,620)
Mining assets (incl. elevated stripping)	(20,332)	(29,686)
PPE purchases	(8,372)	(14,410)
Proceeds from disposal of PPE	2,147	-
Payment of deferred consideration	(4,629)	(10,849)
Investment in NWP	(793)	(6,146)
Other	(182)	(178)
Net outflow from investing activities	**(32,373)**	**(62,889)**
Cash flows from financing activities		
Repayment of leases net of drawdowns	(8,487)	(4,249)
Interest on leases	(1,448)	(1,712)
Interest on USD bonds and convertible notes	(830)	(2,395)
USD bond and convertible note repayment	(11,966)	(6,371)
Issue of AUD convertible bonds	10,638	-
Repayment of borrowings net of drawdowns	(3,879)	4,764
Interest on borrowings	(358)	(672)
Dividend paid	-	(5,520)
Interest received	40	177
Other finance costs	(345)	(472)
Net outflow from financing activities	**(16,635)**	**(16,450)**
Net decrease in cash and cash equivalents	**(5,738)**	**(12,567)**
Opening cash and cash equivalents including restricted short-term deposits	25,952	38,519
Closing cash and cash equivalents	**20,214**	**25,952**

Independent auditor's report

To the shareholders of Bathurst Resources Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Bathurst Resources Limited (the 'Company') and its subsidiaries (the 'Group') on pages 3 to 35:

i. present fairly in all material respects the consolidated financial position as at 30 June 2021 and its financial performance and cashflows for the year ended on that date; and

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

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 June 2021;
- 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 and other explanatory information.

Basis for opinion

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

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

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

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

Emphasis of matter – L&M Coal Holdings Limited performance payment claims

We draw attention to notes 15(c) and 23 in the consolidated financial statements which describes the reversal of a $73 million provision to the consolidated income statement following a Supreme Court decision in relation to a previously disputed first performance payment by L&M Coal Holdings Limited ("L&M") for the Buller coal project.

Note 23 also notes that arbitration has been set regarding a second performance payment claimed by L&M. Based on legal advice received, no liability has been recognised as at 30 June 2021 as the directors believe that it is more likely than not that the Company will successfully defend the claim for the second performance payment.

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 consolidated operating profit before tax. We chose the benchmark because, in our view, this is a key measure of the consolidated performance.

KPMG

Independent auditor's report

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. 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

The key audit matter

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.

How the matter was addressed in our audit

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

- 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 engaging valuation specialists to assess the appropriateness of the discount rate applied;
- assessing the cost and capital forecasts against managements business plans and historical trends;
- checking the consistency of forward-looking assumptions to the Group's stated plan and strategy, past performance of the Group, published information on industry trends;
- 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 adjusted the Group's net assets as at 30 June 2021 of $129 million by $67 million, reflecting the exclusion of the subsequent adjusting event of derecognising the L&M provision which was not reflected in the Company's share price at 30 June 2021. We compared the adjusted net asset position of $62 million to the Group's market capitalisation of NZ$84 million based on the share price at 30 June 2021, and noted an implied headroom of $22 million.

Revenue recognition

The key audit matter

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.

How the matter was addressed in our audit

Our audit procedures included:

- Comparing a sample of contracts to the relevant accounting standard to determine if the correct accounting treatment has been applied.
- Agreeing a sample of contracts to the Company's existing revenue recognition policies.
- Testing a sample of revenue transactions prior and post balance date to ensure that the revenue has been recognised in the correct period in accordance with delivery terms.

Independent auditor's report

Other information

The directors, on behalf of the Company and Group, are responsible for the other information included in the 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.

Responsiblities of the directors for the consolidated financial statements

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

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

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

Our objective is:

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

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

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

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at: http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

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

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

For and on behalf of

KPMG

KPMG
Wellington

26 August 2021