



Financial report

for the six months ended 31 December 2020



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Financial and operating overview

For the six months ended 31 December 2020

Letter from the Chief Executive Officer

We are pleased to present the financial results for the six months to 31 December 2020. Whilst we achieved a strong operational performance, with demand remaining stable, our export business has continued to face significant challenges.

Although the expected export pricing recovery is now starting to be seen, it was delayed as the COVID-19 pandemic and more recently China's ban on Australian coking coal imports sustained the downward pressure on export pricing. Alongside this however our domestic business has continued to bring in steady cashflows, more than covering our corporate overhead costs and allowing for repayment of borrowings and continued investment in the business, both from a stay in business as well as growth capital expenditure perspective.

Maintaining cash has been a pivotal strategic focus over the last six months whilst we weather the disruption caused by the pandemic, which has had a direct impact on our export margins. Strict capital expenditure limits have been put in place, and timing of key capital spend has been moved where possible to align with when we expect export pricing to have recovered.

Directors have also been focused on the legal claims¹ bought against Bathurst by L&M Coal Holdings Ltd, who are contesting two performance payments contained within a 2010 sale and purchase agreement. From an accounting perspective our treatment of these two claims has not changed from that as presented in our year end 30 June 2020 accounts. This is notwithstanding that we believe our appeal in the Supreme Court of New Zealand in October 2020 regarding the first contested performance payment went very well.

It was with considerable regret that we announced the decision early February 2021 to close our Canterbury operations. We have spent significant effort over the years on turning the mine into a well-run, award winning operation that provided regional jobs for New Zealanders. Despite our best efforts to reach a resolution, the timeframes and cost of regulatory processes outweighed the commercial returns of continuing to operate at this site. The mine will cease operating in June 2021 and impairment of related assets has been reflected in these half year results.

Looking forward we expect margins to improve on our export segment, with the domestic business continuing to provide cash flow security to our business. We will also be focused on supporting our Canterbury mine staff via redeployment and assistance in finding new employment.

Financial overview

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

Financial measures	H1 FY21 \$m	H1 FY20 \$m
Revenue ²	97.8	129.3
EBITDA ³	26.8	41.9
Net profit after tax	3.7	14.5
Cash	21.7	33.4

¹ Refer to notes 1, 6, and 8 in the financial statements for further information.

² Coal sales revenue to customers, including realised FX and coal pricing hedges. Unrealised movements in coal pricing and FX hedging go through other comprehensive income.

³ Earnings before net finance costs (including interest), tax, depreciation, amortisation, impairment, non-cash fair value movements on deferred consideration and rehabilitation provisions.

Financial and operating overview

For the six months ended 31 December 2020

Financial overview continued

The financial results for the first six months of FY21 reflect consistent earnings from the domestic segment, and reduced earnings from the export segment. Key movements are:

Equity share of joint venture BT Mining profit	-\$12.5m decrease from export and NID operations. Driven by reduction in export earnings from lower export pricing received on sales.
BRL gross operating profit	+\$1.6m increase, with an uplift in revenue due to pricing increases, and reduction in operating costs (fuel, labour, and third party coal purchases).
Impairment/fair value movement in deferred consideration	-\$8.1m write-off of Canterbury assets net of reduction in deferred consideration, due to the announcement that the Canterbury mine will cease operating at the end of the financial year.
Finance costs	+\$0.5m decrease in interest expense from partial repayment of USD bonds.
Finance income	+\$7.5m increase, due to favourable movement in NZD:USD exchange rate, which reduced borrowings and deferred consideration that are denominated in USD (refer note 6).

Operations overview

Export

Measure	Export H1 FY21	Export H1 FY20
Production (kt) (100% basis)	428	515
Sales (kt) (100% basis)	529	637
Overburden (Bcm 000) (100% basis)	1,825	2,105
Revenue incl. realised hedging (\$'000)	44,582	72,361
EBITDA (\$'000)	6,170	23,116

Production and sales	Reduced during the first six months due to lower export pricing.
Revenue	- Fallen primarily due to a drop in the hard coking coal benchmark year-on-year. This reduced from an average of USD \$159 / tonne ("t") in the first six months of FY20, to USD \$113/t in the first six months of the current financial year. - FX and coal price hedging have provided an additional \$2.6m in realised revenue. - Movements in the NZD:USD exchange rate is also having its impact, as the New Zealand dollar has strengthened against the US dollar. - Overall, the average price per tonne received dropped to NZD \$130/t for H1 FY21 from NZD \$175/t in the prior comparative period.
Earnings	- Decreased due to lower sales pricing. - Cost savings have reduced the cost per production tonne year-on-year, helping to offset the reduction in average price received per tonne. Savings on fuel costs, a move to permanent instead of contracted labour, and a reduction in maintenance spend on major equipment have all contributed.

Financial and operating overview

For the six months ended 31 December 2020

Operations overview continued

Domestic

Measure	Domestic H1 FY21	Domestic H1 FY20
Production (kt) (100% basis)	581	554
Sales (kt) (100% basis)	504	581
Overburden (Bcm 000) (100% basis)	8,539	7,105
Revenue (\$'000)	53,207	56,939
EBITDA (\$'000)	26,864	25,891

Production	Modifications to two key North Island domestic ("NID") customer contracts require the mine to carry higher levels of stockpiles causing greater production levels than sales volumes in the current period. NID is also scheduling lower production volumes in the coming months due to mine pit sequencing which requires an increased stockpile in order to meet coal sales.
Sales	Decreased due to NID re-negotiated contracted sales volumes, which sees sales move out to the end of a contract.
Revenue	Declined due to the reduction in NID sales volumes; however this was partially offset by an increase in the average price per tonne on key NID and South Island domestic ("SID") contracts, and a shift of sales volumes to higher margin customers in NID.
Earnings	Despite a drop in revenue, earnings have increased. SID EBITDA improved \$2.7m year-on-year, benefiting from increased revenue, lower fuel costs, labour savings after a review of personnel requirements, and reduction in coal purchases as coal quality in the Takitimu pit has improved. NID EBITDA retracted \$1.8m. Revenue was \$4m less year-on-year, however this was partially offset by cost savings from lower fuel costs and equipment hire.

Corporate

Corporate segment costs included in the total group consolidated EBITDA were consistent year-on-year, \$6.3m H1 FY21 versus \$7.1m in H1 FY20.

Overseas joint venture – Crown Mountain project

A further \$0.4m was invested in the six months to 31 December 2020 in the Crown Mountain project, a coking coal exploration project in Canada with joint venture partner Jameson Resources Limited.

The bankable feasibility study was completed in July 2020, with the project working towards environmental application being submitted in the June 2021 quarter. BRL holds 22.2% equity investment in the project including 2.2% as preference shares.

Financial and operating overview

For the six months ended 31 December 2020

Cash

		2020	2019
	Opening cash 30 June	26.0m	38.5m
Operating	EBITDA	26.8	41.9
	Working capital	1.6	3.8
	Tax	(6.5)	(9.3)
Investing	Deferred consideration	(2.9)	(5.0)
	Crown Mountain	(0.4)	(4.3)
	PPE	(2.5)	(5.6)
	Mining assets including capitalised stripping	(10.7)	(15.9)
Financing	Finance leases	(5.3)	(4.8)
	BRL corporate debt instrument interest repayments	(0.3)	(0.9)
	Dividend	-	(5.5)
	Borrowings (repayment)/drawdown net of interest	(4.1)	0.5
	Closing cash 31 December	21.7m	33.4m

Mining assets

The majority of the activity relates to capitalised stripping at the Waipuna West pit at the Rotowaro mine, which is planned to be completed in the third quarter of FY21.

Deferred consideration

Deferred consideration was paid in Q2 relating to the purchase of the BT Mining assets. There are two more such payments, with the final payment relating to this purchase due in Q2 of FY22.

Borrowings repayment net of interest

A partial repayment of funding received in advance on stripping activities for the Waipuna West pit at the Rotowaro, North Island domestic mine.

Debt

AUD convertible bonds were issued on 1 February 2021 to refinance the USD subordinated bonds and NZD convertible notes that matured on the same date. AUD \$10m in aggregate was issued, with a maturity date of 1 August 2022. Further details on the new bonds are in note 9 of the interim financial statements.

Authorised for and on behalf of the Board of Directors:



Toko Kapea
Chairman

25 February 2021



Russell Middleton
Executive Director

25 February 2021

Income statement

For the six months ended 31 December 2020

	Notes	Dec 2020 \$'000	Dec 2019 \$'000
Revenue from contracts with customers		25,547	25,203
Cost of sales		(19,188)	(20,475)
Gross profit		6,359	4,728
Equity accounted profit	5	4,092	16,875
Other income		259	72
Depreciation		(1,474)	(1,736)
Administrative and other expenses		(4,137)	(4,367)
Fair value movement on deferred consideration	6 (b)	1,522	734
Gain on disposal of property, plant and equipment		294	-
Movement in bad debts		169	(109)
Impairment of mining assets & property, plant and equipment	4	(9,645)	-
Operating (loss)/profit before tax		(2,561)	16,197
Finance cost	3	(1,322)	(1,807)
Finance income	3	7,593	117
Profit before tax		3,710	14,507
Tax		-	-
Profit after tax		3,710	14,507
Earnings per share:		Cents	Cents
Basic profit per share		0.22	0.85
Diluted profit per share		0.22	0.80

Statement of comprehensive income

For the six months ended 31 December 2020

	Note		
Profit after tax		3,710	14,507
Other comprehensive income ("OCI") that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(726)	(172)
Share of BT Mining FX hedging	5 (a)	384	2,335
Comprehensive income		3,368	16,670

Statement of financial position

As at 31 December 2020

	Notes	Dec 2020 \$'000	Jun 2020 \$'000
Cash and cash equivalents		5,461	4,495
Restricted short-term deposits		4,093	4,193
Trade and other receivables		7,537	4,012
Inventories		1,419	1,407
New Zealand emission units		635	1,011
Crown indemnity		291	291
Total current assets		19,436	15,409
Property, plant and equipment		13,765	17,987
Mining assets	4	28,102	34,518
Interest in joint ventures	5	110,029	105,844
Crown indemnity		582	582
Other financial assets		116	117
Total non-current assets		152,594	159,048
TOTAL ASSETS		172,030	174,457
Trade and other payables		9,114	6,716
Borrowings	6 (a)	12,942	13,881
Deferred consideration	6 (b)	67,539	74,361
Rehabilitation provisions	4	3,397	1,145
Total current liabilities		92,992	96,103
Borrowings	6 (a)	1,259	1,758
Deferred consideration	6 (b)	3,585	4,956
Rehabilitation provisions	4	3,696	4,721
Total non-current liabilities		8,540	11,435
TOTAL LIABILITIES		101,532	107,538
NET ASSETS		70,498	66,919
Contributed equity		293,107	293,107
Debt instruments equity component		17,622	17,622
Reserves		(31,586)	(31,455)
Accumulated losses		(208,645)	(212,355)
EQUITY		70,498	66,919

For and on behalf of the Board of Directors:



Toko Kapea
Chairman
25 February 2021



Russell Middleton
Executive Director
25 February 2021

Statement of changes in equity

For the six months ended 31 December 2020

	Contributed equity \$'000	Debt instruments equity component \$'000	Share- based payments \$'000	Foreign exchange/ cash flow hedging \$'000	Retained earnings \$'000	Reorganisation 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)
Adoption of NZ IFRS 16	-	-	-	-	315	-	315
Contributions of equity	6,486	(5,202)	-	-	-	-	1,284
Share-based payments	-	-	408	-	-	-	408
Vesting of performance rights	344	-	(344)	-	-	-	-
Dividend	-	-	-	-	(5,520)	-	(5,520)
30 June 2020	293,107	17,622	357	948	(212,355)	(32,760)	66,919
Comprehensive profit	-	-	-	(342)	3,710	-	3,368
Share-based payments	-	-	211	-	-	-	211
31 Dec 2020	293,107	17,622	568	606	(208,645)	(32,760)	70,498

Statement of cash flows

For the six months ended 31 December 2020

	Notes	Dec 2020 \$'000	Dec 2019 \$'000
Cash flows from operating activities			
Receipts from customers		21,745	22,029
Payments to suppliers and employees		(16,950)	(21,209)
Dividend from BT Mining	5 (a)	-	13,000
Net cash inflow from operating activities		4,795	13,820
Cash flows from investing activities			
Exploration and consenting expenditure		(46)	(423)
Mining assets (including capitalised waste moved in advance)		(2,835)	(3,513)
Property, plant and equipment purchases ("PPE")		(327)	(1,182)
Proceeds from sale of PPE		1,499	-
Deferred consideration		(455)	(480)
Investment in NWP Coal Canada Limited	5 (b)	(425)	(4,333)
Other		60	(3)
Net cash outflow from investing activities		(2,529)	(9,934)
Cash flows from financing activities			
Interest received		18	42
Interest on finance leases and other finance costs paid		(219)	(93)
Repayment of finance leases		(896)	(1,697)
Interest on debt instruments		(303)	(931)
Dividend		-	(5,520)
Net cash outflow from financing activities		(1,400)	(8,199)
Net increase/(decrease) in cash		866	(4,313)
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		9,554	19,722

Notes to the financial statements

For the six months ended 31 December 2020

1. About our financial statements

General information

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

The interim financial statements presented as at and for the six months ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group").

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

Basis of preparation

These interim financial statements have been prepared in accordance with New Zealand generally accepted accounting practice ("GAAP"), accounting standards NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the annual financial statements for the year ended 30 June 2020.

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

All financial information has been rounded to the nearest thousand unless otherwise stated. Comparative information has been changed to match current mapping of costs where applicable.

Measurement basis

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

Standards and interpretations adopted during the period

The financial information presented for the six months ended 31 December 2020 has been prepared using accounting policies consistent with those applied in the 30 June 2020 financial statements.

Material uncertainty related to going concern

As at 31 December 2020, the Group's current liabilities exceeded its current assets by \$73.6m. This gap is primarily made up of:

- A performance payment payable to L&M Coal Holdings Limited ("L&M") as a consequence of a judgment in the High Court of New Zealand of NZD \$66.7m (refer note 6 (b) for further information).
- Borrowings in the form of USD subordinated bonds and NZD convertible notes in the amount of \$11.9m, which were previously issued to fund the investment in BT Mining Limited (refer note 6 (a) for further information).

As noted in the events after reporting period disclosure (refer note 9), the USD subordinated bonds and NZD convertible notes matured on 1 February 2021. In order to maintain working capital in the short to medium term due to the current coking coal market environment, the majority of the funds were transferred into a new convertible bond issued on the same date, that have a maturity date of 1 August 2022. Notwithstanding this, operating activities including receipt of dividends from BT Mining have previously contributed positive operating cashflows, and directors expect the same for future years as modelled in the Group's forecasts. If the convertible bonds are not converted to shares by the bond holders, directors expect to be able to meet BRL's obligations from the normal course of business with regards to these instruments.

There is currently a material uncertainty as to whether and how BRL will be able to fulfil its obligations to L&M, due to the quantum of the debt owed per the judgment. BRL's appeal of the High Court's judgment was heard in the Supreme Court of New Zealand on 8 and 9 October 2020. If BRL is successful in having the judgment overturned, the debt will no longer be payable.

Notes to the financial statements

For the six months ended 31 December 2020

1. About our financial statements continued

Material uncertainty related to going concern continued

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

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

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

2. Segment information

The operating segments reported on are:

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

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

	Export	Domestic	Corporate	Total	Eliminate BT Mining	Total BRL
Six months ended 31 December 2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from contracts with customers	64,632	68,101	-	132,733	(107,186)	25,547
Operating (loss)/profit before tax	1,304	20,313	(17,540)	4,077	(10,730)	4(2,561)
Net finance costs	(938)	(316)	5,538	4,284	1,987	6,271
Income tax expense	-	-	(2,448)	(2,448)	2,448	-
Comprehensive income after tax	368	19,997	(14,204)	6,161	(6,885)	3,368
Depreciation & amortisation	9,221	15,697	422	25,340	(22,216)	3,124
EBITDA ⁵	9,492	35,997	(7,503)	37,986	(32,046)	5,940

⁴ Total BRL operating profit and comprehensive income does not equal the sum of Total minus elimination of BT Mining, as BRL's equity share of BT Mining's profit which was \$4.1m for the six months to 31 December 2020 is added back; BRL's equity share of BT Mining's fair value gain on hedging instruments through other comprehensive income of \$0.4m is also added back to comprehensive income.

⁵ Earnings before net finance costs (including interest), tax, depreciation, amortisation, impairment, fair value movement on deferred consideration and rehabilitation provisions.

Notes to the financial statements

For the six months ended 31 December 2020

2. Segment information continued

	Export	Domestic	Corporate	Total	Eliminate BT Mining	Total BRL
Six months ended 31 December 2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from contracts with customers	105,641	74,027	-	179,668	(154,465)	25,203
Operating profit before tax	23,417	24,780	(7,629)	40,568	(40,935)	16,197
Net finance costs	(128)	(409)	(6,695)	(7,232)	5,542	(1,690)
Income tax expense	-	-	(11,652)	(11,652)	11,652	-
Comprehensive income after tax	23,289	24,371	(20,183)	26,847	(29,076)	16,670
Depreciation & amortisation	9,512	11,041	391	20,944	(17,143)	3,801
EBITDA	35,563	35,976	(8,438)	63,101	(60,712)	2,389

3. Net finance costs

	Notes	Dec 2020 \$'000	Dec 2019 \$'000
Interest income		13	9
Realised foreign exchange gain		-	44
Unrealised foreign exchange gain on USD bonds and USD L&M deferred consideration		7,580	64
Total finance income		7,593	117
Interest expense on finance leases		(89)	(248)
Interest expense on debt instruments		(277)	(1,094)
Realised foreign exchange loss		(6)	-
Interest on L&M deferred consideration		(473)	-
Rehabilitation provisions unwinding of discount		(29)	(72)
Deferred consideration unwinding of discount	6 (b)	(321)	(393)
Banking and facility fees		(127)	-
Total finance costs		(1,322)	(1,807)
Total net finance income/(costs)		6,271	(1,690)

Notes to the financial statements

For the six months ended 31 December 2020

4. Mining assets

	Dec 2020 \$'000	Jun 2020 \$'000
Exploration and evaluation assets		
Opening balance	1,869	680
Expenditure capitalised	-	1,189
Movement in accruals	(40)	-
Impairment	(229)	-
Amounts transferred to rehabilitation provision	(31)	-
Total exploration and evaluation assets	1,569	1,869
Mining licences/permits and property assets		
Opening balance	32,649	29,103
Expenditure capitalised	255	1,159
Amortisation	(1,650)	(3,469)
Impairment	(7,359)	-
Waste moved in advance capitalised	2,638	5,856
Total mining licences/permits and property assets	26,533	32,649
Total mining assets	28,102	34,518

Impairment

The decision was announced in February 2021 to close the Canterbury mine, with production and sales to cease at the end of the financial year. As such an impairment has been recognised on assets relating to the Canterbury mine, which forms part of the Bathurst domestic coal cash generating unit ("CGU"). The Bathurst domestic coal CGU included the Canterbury mine, Takitimu mine, and the Timaru distribution centre. 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, with \$64k remaining that will be amortised over the remainder of the financial year. 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.

The Bathurst domestic coal CGU was separately assessed for indicators of impairment, after the removal of the Canterbury assets/operations from the CGU. There were no indicators of impairment for the CGU which now consists of the remaining South Island domestic operations (primarily the Takitimu mine and Timaru distribution centre).

The rehabilitation provision for the Canterbury mine was also adjusted to reflect bringing forward rehabilitation earlier than previously allowed for.

Notes to the financial statements

For the six months ended 31 December 2020

5. Interest in joint ventures

	Dec 2020 \$'000	Jun 2020 \$'000
Interest in BT Mining Limited ("BT Mining")	94,019	89,543
Interest in NWP Coal Canada Limited ("NWP")	16,010	16,301
Total interest in joint ventures	110,029	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	77,769	73,293
Total interest in BT Mining	94,019	89,543
Opening balance	89,543	70,723
Receipt of dividend	-	(13,000)
Share of BT Mining profit	4,092	30,097
Share of adjustment to retained earnings on adoption of NZ IFRS 16	-	(82)
Share of BT Mining FX hedging through OCI	384	1,805
Closing balance	94,019	89,543

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

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

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

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

Notes to the financial statements

For the six months ended 31 December 2020

5. Interest in joint ventures continued

(a) BT Mining continued

BT Mining balance sheet - unaudited	Dec 2020 \$'000	Jun 2020 \$'000
Cash	16,477	24,427
Restricted short-term deposits	2,133	2,133
Trade and other receivables	23,542	35,611
Crown indemnity	3,298	4,178
Inventories	43,085	39,689
New Zealand emission units	884	1,166
Derivative assets	3,658	3,068
Current assets	93,077	110,272
Property, plant and equipment	103,807	107,511
Mining assets	64,153	62,998
Crown indemnity	57,224	56,881
Other financial assets	761	761
Deferred tax asset	6,819	6,819
Non-current assets	232,764	234,970
TOTAL ASSETS	325,841	345,242
Trade and other payables	24,555	30,323
Tax payable	21,132	28,684
Borrowings	12,700	16,830
Deferred consideration	5,385	4,485
Provisions	4,003	4,003
Current liabilities	67,775	84,325
Borrowings	31,045	36,289
Deferred consideration	-	3,634
Provisions	82,379	83,236
Non-current liabilities	113,424	123,159
TOTAL LIABILITIES	181,199	207,484
NET ASSETS	144,642	137,758
Share capital	25,000	25,000
Reserves	2,578	1,988
Retained earnings net of dividends paid	117,064	110,770
EQUITY	144,642	137,758

Notes to the financial statements

For the six months ended 31 December 2020

5. Interest in joint ventures continued

(b) NWP

	Dec 2020 \$'000	Jun 2020 \$'000
Balances held in NWP		
Opening balance	16,301	10,105
Equity investment	425	6,146
FX movements through reserves	(716)	(188)
20 percent equitable share of profit	-	238
Total interest in NWP	16,010	16,301

The investment in NWP is via a wholly owned subsidiary of BRL set up for this purpose (Bathurst Resources (Canada) Limited) which is incorporated in Canada and has a functional currency of CAD.

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

The joint venture agreement structures BRL's investment in NWP into three parts, an initial investment and two tranches. The initial investment and first tranche which represent a total investment of CAD \$11.5m in exchange for a 20 percent equity stake in NWP are complete. A further CAD \$2.6m has also been advanced as part of the second tranche in exchange for preference shares in NWP. A further CAD \$0.4m has been advanced in the proportion of the ordinary equity of 20:80 in order to complete the ongoing activities up to the Final Investment Decision ("FID").

Should BRL decide to exercise the final tranche option, further investment required will equal CAD \$110.0m minus funds invested in the preference shares. The preference shares will automatically convert upon FID to give BRL a 50 percent equity holding in the project.

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

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

NWP summarised financial information in NZD - unaudited

Cash	1,215	1,349
Other current assets	144	129
Exploration and evaluation assets	30,434	30,037
Other non-current assets	1,202	1,264
TOTAL ASSETS	32,995	32,779
Current liabilities	209	461
Non-current financial liabilities	3,259	1,219
TOTAL LIABILITIES	3,468	1,680
NET ASSETS	29,527	31,099

Notes to the financial statements

For the six months ended 31 December 2020

6. Financial liabilities

	Dec 2020 \$'000	Jun 2020 \$'000
(a) Borrowings		
Current		
<i>Secured</i>		
Lease liabilities	1,064	1,460
Subordinated bonds	5,448	6,023
Bank borrowings backing property, plant and equipment	-	23
<i>Unsecured</i>		
Convertible notes	6,430	6,375
Total current borrowings	12,942	13,881
Non-current		
<i>Secured</i>		
Lease liabilities	1,259	1,758
Total non-current borrowings	1,259	1,758
Total borrowings	14,201	15,639

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

Instrument	Denomination currency	Face value \$m	Coupon rate %	Issue date	Maturity date	Per note conversion # shares
Convertible notes	NZD	\$6.4m	8%	1/02/2017	1/02/2021	26,667
Subordinated bonds	USD	\$3.95m	10%	1/02/2017	1/02/2021	n/a

All terms of the debt instruments are the same as noted in the 30 June 2020 financial statements. Refer to note 9 for information on the maturity of the above instruments, and issuance of a new debt instrument after the balance sheet date.

Borrowings have a carrying value that is equivalent to their fair value.

Covenant breach

There was a technical breach to the bond terms, in the forms of distributions made to shareholders in October 2019 without prior written consent of the majority of the bond holders. This meant that a majority of bond holders could have elected these bonds to be repaid before the maturity date. These bonds however as noted above have matured subsequent to balance sheet date.

Notes to the financial statements

For the six months ended 31 December 2020

6. Financial liabilities continued

	Dec 2020 \$'000	Jun 2020 \$'000
(b) Deferred consideration		
Current		
Acquisition of subsidiary	67,539	74,361
Non-current		
Acquisition of subsidiary	3,585	4,956
Total deferred consideration	71,124	79,317
<i>Movement</i>		
Opening balance	79,317	6,809
Unwinding of discount	321	785
Fair value adjustment – Canterbury Coal and New Brighton Collieries	(1,522)	(561)
Recognition of Buller coal project performance payment	-	62,247
FX movements in Buller coal project performance payment	(6,715)	-
Accrued interest on Buller coal project net of movements in FX	178	10,983
Consideration paid during the year net of movement in accruals	(455)	(946)
Closing balance	71,124	79,317

Buller Coal project

BRL acquired Buller Coal Limited (formerly L&M Coal Limited) ("Buller Coal") from L&M Coal Holdings Limited ("L&M") in November 2010. The sale and purchase agreement between BRL and L&M dated 10 June 2010 ("SPA"), which primarily concerned the purchase of the Escarpment mine through the acquisition of Buller Coal, contained an element of deferred consideration. The deferred consideration comprised cash consideration and/or royalties on coal sold and the potential issue of performance shares. The deferred cash consideration is made up of two payments of USD \$40m ("performance payments"). The first being payable upon 25,000 tonnes of coal being shipped from the Buller Coal project area, the second payable upon 1 million tonnes of coal being shipped from the Buller Coal project area or where a change in control of Bathurst is deemed to have occurred (refer to note 8 for further information).

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

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

Notes to the financial statements

For the six months ended 31 December 2020

6. Financial liabilities continued

(b) Deferred consideration continued

Canterbury Coal Limited

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

Due to the planned closure of the Canterbury mine, with production and sales to cease from the end of this financial year, deferred consideration has been reduced to match expected sales for the remainder of the financial year.

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 from the Takitimu mine. The fair value of the future royalty payments is estimated using a discount rate based upon the Group's WACC, projected production profile, and forecast domestic coal prices. These are based on the Group's forecasts which are approved by the Board of Directors.

7. Related party transactions

The Group's related parties include directors, the senior leadership team, and joint ventures BT Mining and NWP. Material transactions with the Group's joint ventures are disclosed in note 5.

For the six months to 31 December 2020, non-executive directors' fees including share based payments were \$136k (2019: \$157k); and short-term benefits in the form of salary and bonuses, as well as share based payments to the senior leadership team (including executive directors) were \$1.5m (2019: \$1.9m).

Salaries for employees who work across both BRL and BT Mining are recharged between the two companies so that staff costs are recorded appropriately. For the six months to 31 December 2020 \$1.2m of salaries were recharged from BRL to BT Mining (2019: \$1.4m) and \$0.4m recharged from BT Mining to BRL (2019: \$0.4m).

Coal sales are made to BRL's BT Mining joint venture partner Talleys Energy Limited and/or associated companies of Talleys Energy Limited on an arm's length basis and normal commercial terms. Total sales for the six months ended 31 December 2020 were \$1.9m (2019: \$1.7m).

8. Contingent liabilities

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

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

On 17 November 2020 BRL announced that the matter was formally in arbitration. The parties have agreed to the appointment of Robert Fisher QC as arbitrator and a timetable for the arbitration has been issued. Preliminary matters, such as discovery, will be dealt with over the next few months with a substantive hearing scheduled for November 2021.

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

Notes to the financial statements

For the six months ended 31 December 2020

9. Events after the reporting period

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

Issuance of new debt instrument

The USD subordinated bonds and NZD convertible notes disclosed in note 6 matured on 1 February 2021. In order to maintain working capital in the short to medium term due to the current coking coal market environment, the majority of the funds were transferred into a new convertible bond issued on the same date. 200 convertible bonds were issued, with key details as follows:

Instrument	Currency	Aggregate value \$m	Subscription price	Coupon rate %	Issue date	Maturity date	Per note conversion # shares
Convertible bonds	AUD	\$10m	\$50k	9%	1/02/2021	1/08/2022	1,020,408

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 conversion 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 will create 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 is 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.

An indicative summary of the financial impacts from the maturity of the existing debt instruments, and issue of the new convertible bonds, are noted below:

	Relates to existing/new instrument	Feb 2021 \$'000
Income statement		
Unwind of debt instrument equity component (increase to income)	Existing	17,622
Balance sheet		
Cash (decrease)	Existing	(1,305)
Current liability (decrease)	Existing	11,944
Derivative liability (increase)	New	(1,896)
Non-current liabilities (increase)	New	(8,743)
Debt instrument equity component (decrease to equity)	Existing	(17,622)

Fair value of the conversion option was determined using a Black Scholes Model that takes into account the:

- exercise price;
- term of the conversion option;
- current share price;
- expected price volatility of the underlying share;
- expected dividend yield; and
- the risk-free interest rate for the term of the conversion option.

Additional information

For the six months ended 31 December 2020

Unaudited proportionate consolidation of Bathurst and BT Mining operations

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

Consolidated income statement

	Dec 2020 \$'000	Dec 2019 \$'000
Revenue from contracts with customers	95,218	125,605
Realised FX and coal price hedging	2,571	3,695
Less: cost of sales	(74,576)	(85,264)
Gross profit	23,213	44,036
Other income	1,527	119
Equity share of NWP profit	-	310
Depreciation	(8,790)	(8,503)
Administrative and other expenses	(10,036)	(10,346)
Fair value on deferred consideration	3,589	734
Gain on disposal of property, plant and equipment	294	-
Impairment losses	(9,645)	-
Movement in bad debts	169	(109)
Operating profit before tax	321	26,241
Finance cost	(2,619)	(5,508)
Finance income	7,599	216
Profit before income tax	5,301	20,949
Income tax expense	(1,591)	(6,442)
Profit after tax	3,710	14,507

Additional information

For the six months ended 31 December 2020

Consolidated balance sheet

	Dec 2020 \$'000	June 2020 \$'000
Cash and cash equivalents	16,171	20,373
Restricted short-term deposits	5,479	5,579
Trade and other receivables	22,840	27,159
Crown indemnity	2,435	3,007
Inventories	29,424	27,205
New Zealand emission units	1,210	1,769
Derivative assets	2,378	1,994
Total current assets	79,937	87,086
Property, plant and equipment ("PPE")	81,240	87,869
Mining assets	69,801	75,467
Crown indemnity	37,778	37,555
Investment in joint venture	16,010	16,301
Deferred tax asset	4,432	4,432
Other financial assets	611	612
Total non-current assets	209,872	222,236
TOTAL ASSETS	289,809	309,322
Trade and other payables	25,075	26,426
Tax payable	13,736	18,645
Borrowings	21,197	24,821
Deferred consideration	71,039	77,276
Provisions	5,999	3,747
Total current liabilities	137,046	150,915
Borrowings	21,438	25,346
Deferred consideration	3,585	7,318
Provisions	57,242	58,824
Total non-current liabilities	82,265	91,488
TOTAL LIABILITIES	219,311	242,403
NET ASSETS	70,498	66,919
Contributed equity	293,107	293,107
Debt instruments equity component	17,622	17,622
Reserves	(31,586)	(31,455)
Retained earnings net of dividends	(208,645)	(212,355)
EQUITY	70,498	66,919

Additional information

For the six months ended 31 December 2020

Consolidated cash flow

	Dec 2020 \$'000	Dec 2019 \$'000
Cash flows from operating activities		
Receipts from customers	104,868	133,063
Payments to suppliers and employees	(76,338)	(87,468)
Taxes paid	(6,500)	(9,273)
Net inflow from operating activities	22,030	36,322
Cash flows from investing activities		
Exploration and evaluation expenditure	(50)	(756)
Mining assets (incl. elevated stripping)	(10,705)	(15,123)
PPE purchases	(4,009)	(5,624)
Proceeds from disposal of PPE	1,499	47
Payment of deferred consideration	(2,871)	(4,993)
Investment in NWP	(425)	(4,333)
Other	60	(3)
Net outflow from investing activities	(16,501)	(30,785)
Cash flows from financing activities		
Drawdown on finance leases	-	367
Drawdown on borrowings	-	1,018
Repayment of borrowings	(3,871)	-
Repayment of finance leases	(4,802)	(5,153)
Interest on debt instruments	(303)	(1,305)
Interest on borrowings	(239)	-
Interest received	24	141
Interest paid on finance leases	(472)	(185)
Finance facility fees	(168)	(64)
Dividend	-	(5,520)
Net outflow from financing activities	(9,831)	(10,701)
Net decrease in cash and cash equivalents	(4,302)	(5,164)
Opening cash and cash equivalents including restricted short-term deposits	25,952	38,519
Closing cash and cash equivalents	21,650	33,355

Independent auditor's review report

To the shareholders of Bathurst Resources Limited

Report on the interim consolidated financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements on pages 7 to 21 do not:

- i. present fairly in all material respects the Group's financial position as at 31 December 2020 and its financial performance and cash flows for the six month period ended on that date; and
- ii. comply with NZ IAS 34 Interim Financial Reporting.

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

- the consolidated statement of financial position as at 31 December 2020;
 - the consolidated income statement, statements of other comprehensive income, changes in equity and cash flows for the six month period then ended; and
 - notes, including a summary of significant accounting policies and other explanatory information.
-

Basis for conclusion

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

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

Other than agreed upon procedures services, required under a Deed of Royalty, our firm has not provided any other services to the Group. 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 reviewer of the Group. The firm has no other relationship with, or interest in, the Group.

Material uncertainty related to going concern

We draw attention to note 1 in the consolidated financial statements, which indicates that the Group's current liabilities exceed its current assets by \$74 million. As stated in note 1, the working capital position along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter – recognition of provision due to L&M Coal Holdings Limited

We draw attention to note 6 in the interim consolidated financial statements which discloses the unfavourable judgment received in relation to legal proceedings in the Court of Appeal of New Zealand filed by L&M Coal Holdings Limited. The Company's appeal was heard in the Supreme Court of New Zealand in October 2020 and a decision is expected in early to mid-2021.

A liability of \$67 million has been recognised as at 31 December 2020 based on the terms of the payment of the High Court reflecting the current best estimate and the terms of the payment are disclosed within the financial statements. Our opinion is not modified in respect of this matter.

Emphasis of matter – contingent liabilities

We draw attention to note 8 in the interim consolidated financial statements which discloses that L&M Coal Holdings Ltd has given notice to the Company that it intends to pursue further legal action under the terms of the Buller Coal project sale and purchase agreement. The claim against the Company has entered into formal arbitration and a substantive hearing is set down for November 2021.

No liability has been recognised as at 31 December 2020 based on legal advice that it is more likely than not that the Company will successfully defend any claim. Our opinion is not modified in respect of this matter.



Independent auditor's review report

Use of this independent review report

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

Responsibilities of the directors for the interim consolidated financial statements

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

- the preparation and fair presentation of the interim consolidated financial statements in accordance with NZ IAS 34 *Interim Financial Reporting*;
- implementing necessary internal control to enable the preparation of interim consolidated financial statements that are fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

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

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

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

This description forms part of our independent review report.

KPMG
Wellington

25 February 2021