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BATHURST
RESOURCES LIMITED

2020 Annual Report



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RESOURCES LIMITED

We've gone digital

This is our second year releasing an online digital version of our annual report. You can check it out at www.2020annualreport.bathurst.co.nz



01
Year in review

Chairman and CEO's report	5
Financial and operating overview	8
Sustainability	14
Our people	32
Directors' report	34
Remuneration report	36

02
Financial statements

Income statement	43
Statement of comprehensive income	43
Balance sheet	44
Statement of changes in equity	45
Statement of cash flows	46
Notes to the financial statements	47
Additional information	79
Independent auditor's report	82

03
Shareholder information

Shareholder information	88

04
Resources and reserves

Tenement schedule	92
Coal resources and reserves	94

Corporate directory **102**

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Underlying profit after tax* $25.8m

$251m contributed to the New Zealand economy

2020 Highlights

EBITDA*
$76.8m

Three entries named finalists in the **Minerals Sector Awards 2020**

**EBITDA and underlying profit after tax are both non generally accepted accounting principles ("GAAP") reporting measures. Refer to page 13 for further information.*

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01

Year in review

In this section

Chairman and CEO's report

Financial and operating overview

Sustainability

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Chairman and CEO's report

Welcome to Bathurst's 2020 Annual Report. Our diversified asset base created over the last few years has provided us with resilience, which has been tested this year.

Against the backdrop of the challenges FY20 has brought, being able to prove that we have a reliable and repeatable business is no small feat.

FY20: A year of resilience

Leading into FY20, we were prepared for a reduction in export earnings due to market factors impacting coal pricing, and expected our domestic earnings to be consistent apart from planned changes to production levels. For the most part, we have seen this come to fruition.

The demand for our product has remained relatively stable despite the impacts of the COVID-19 pandemic, highlighting the pivotal role that coal continues to play in the global economy. Our domestic earnings were as anticipated. The pandemic did impact our export segment, extending the period of lower pricing and impacting planned shipments. The shutdown of our export mine for just over four weeks during the New Zealand Government's COVID-19 Alert Level 4 – Lockdown ("lockdown") which restricted which entities could operate, also had its effects. Despite this the export segment still achieved a strong profit.

Operating our domestic mines during the lockdown and resuming operations at our export mine required a fast and effective response to rapidly evolving conditions. A business continuity pandemic plan to ensure heightened safety measures was rolled out in a systematic manner, leaning on the well-established health and safety protocols already across the business.

Overall the adaptability of our business to meet the challenges brought by the pandemic underscores the strength of our people, processes, and key relationships.

The value of our domestic segment

Our export segment since acquisition in 2017 has been the big cash earner, reaping the benefit of high market pricing for coking coal. This year earnings from our domestic segment were equal to export. Whilst we had signalled lower export pricing for FY20, no-one could have foreseen COVID-19. The importance of our domestic business and a diversified portfolio has been vividly highlighted.

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The strength of our customer relationships

Although our domestic mines could operate during the lockdown, there were obvious impacts on the logistics of our operations and supply chain which could only be resolved through close co-operation with our customers. And being able to shift supply from clients that could not operate to those who could was also a win-win.

The temporary shutdown of our export mine had obvious implications for continuity of supply. Likewise our overseas buyers faced COVID-19 related impacts. The value of goodwill with our long-term export customers cannot be overstated.

Reducing volatility

Like other businesses that sell a commodity that is traded on a daily index, we are susceptible to volatility in the pricing received for our coal that we sell offshore.

Hedging was first put in place to mitigate this in early 2018 not long after we acquired the Stockton mine, the benefits of which have been fully realised this year during the period of lower pricing.

Thinking long term

We have long time frames when it comes to obtaining regulatory approvals, so we need to think ahead. The resource development role at GM level reflects the increased focus in this space, recognising the investment required, balanced against expectations of future returns.

We continue to view offshore coking coal projects as fundamental to our long-term strategy. Progress is being made with our Canadian joint venture and we are always looking for that next opportunity.

Working smarter

With our operations spread across the country, working smarter is essential.

The roll out of an intranet across Bathurst and BT Mining was a key achievement this year, serving as a central source of information to help ensure consistency and clarity across the two companies.

Other key projects that are already adding value include a business wide phone and conferencing platform, an automated invoice processing software solution, and a move to paperless workstreams.

Matching operational plans with customer needs

Being a mining business, we understand the need to look forward, managing our life of mine plans against secure revenue streams. Reflecting this approach, a new five-year contract to supply the major South Island dairy sites has been signed which is valued at over $100m.

Celebrating excellence

The quality of our mining operations was confirmed with the placing of three entries as finalists in the New Zealand Minerals Sector Awards 2020.

We have two finalists in the environment management category; one regarding the elimination of historic acid mine drainage at our Canterbury mine, the other covering mine management practices to enhance indigenous bird populations at the Stockton mine.

Our finalist in the health and safety category details the company wide medical assessment health programme. This gave us a better understanding of the key health risks of our people and how we could better support them to be fit for work.

Sustainability, environment and society

Essential to our success is our commitment to sustainability and social performance.

We are in our third year of measuring and reporting progress in this area against 10 material topics, including factors such as freshwater and biodiversity, and energy and emissions. This demonstrates our support for the transition to a net zero carbon economy by 2050, balanced with supporting economic prosperity during the transition.

We continue to provide social and economic benefits to the communities in which we live and work, which includes support of local community programmes and activities. In terms of workplace health and safety, our focus is increasingly on ensuring our people are fit for work, while continuing to improve on standard indicators such as lost time injuries.



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Supreme Court hearing

Being granted leave to appeal in the Supreme Court of New Zealand the Court of Appeal's judgment which upheld the case brought against Bathurst by L&M Coal Holdings Ltd ("L&M"), was a welcome development. We presented our position on the 8 and 9 October 2020 and we now await the Supreme Court's judgment which is expected in early 2021.

The recognition of the performance payment payable to L&M had a significant impact on the FY20 financial results. Despite this, we believe our core underlying business remains sound, and we have been and continue to assess a full range of options to meet this debt, should we be unsuccessful in the Supreme Court. More information can be found in note 1 of the financial statements.

Positioned to meet the challenges ahead

This year we have proven that our business is positioned to prosper even in the face of exceptional circumstances. Whilst the longer-term impacts of the pandemic and the timeline for a return to economic growth are still yet to be fully understood, we believe we are well set to face the ongoing uncertainty, and play our part in the road to recovery.



Toko Kapea
Chairman



Richard Tacon
Chief Executive Officer

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Financial and operating overview

Focus

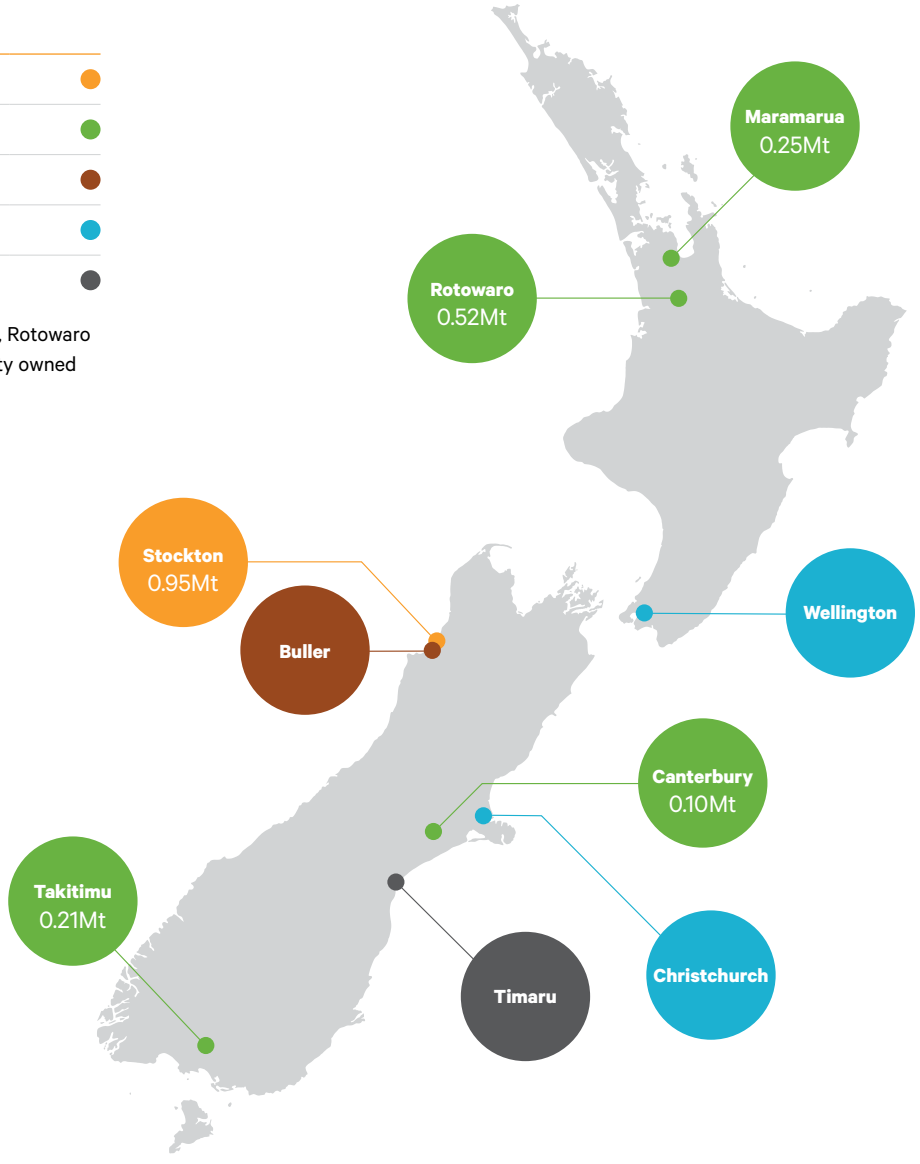
FY20 was about settling into the momentum we have built over the last few years. Global market uncertainty and the COVID-19 pandemic have had their impacts, but our results show we have a strong and reliable business.

Bathurst at a glance

Key

Export	
Domestic	
Care + maintenance	
Office	
Distribution facility	

Note: Stockton, Christchurch, Rotowaro and Maramarua are 65% equity owned via BT Mining joint venture.

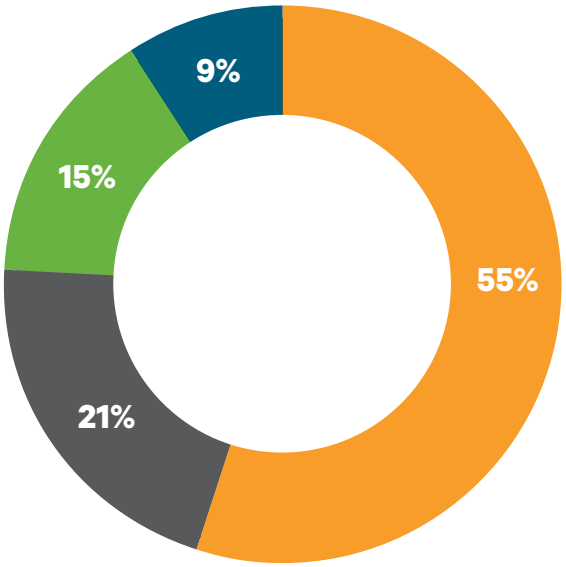


Tonnes noted are FY20 production tonnes on a 100 percent basis

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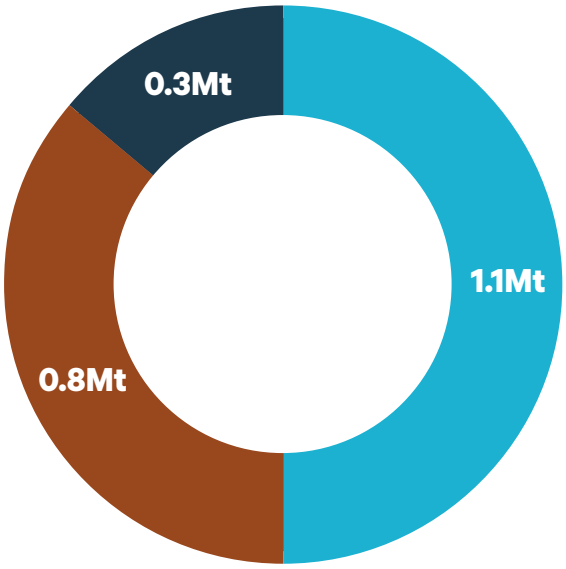
Sales profile

Sales revenue by product use (100 percent basis)



- **55%** Steelmaking (Export)
- **21%** Food production and other industry (NZ)
- **15%** Steelmaking (NZ)
- **9%** Electricity (NZ)

Sales by region (Mtpa) (100 percent basis)



- **1.1Mt** Export – Stockton
- **0.8Mt** North Island domestic
- **0.3Mt** South Island domestic

Our sales profile illustrates the importance of stable cashflows from our domestic segment, which contributed 46 percent of total revenue (an increase of 10 percent), as export pricing decreased.

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Our export business

EBITDA* $42.6m (FY19: $67.4m) (equity share)

As signalled to the market early on, we were expecting a reduction in export earnings this year due to global market factors that were having a downward pressure on pricing. With the advent of the COVID-19 pandemic, the expected recovery did not eventuate. This saw our average price received drop from NZD $212/tonne in FY19 to NZD $163/tonne in FY20.

Despite this, given our low cost base and hedging put in place for this exact type of scenario, we still achieved a 32 percent operating profit margin.

Stabilising demand

Our relationships with most of our export customers span over many years, including two for more than 40 years. For many of them, our product is a valued and unique ingredient in achieving the precise coal blend they require.

As a result, our product is not easily substituted, being a small but key component in the blend for a range of properties. The long-term aspect of the relationships with our clients, also provides a much better chance of navigating the logistical aspects of the disruptions from the COVID-19 pandemic – or any other event that may cause similar disruptions in the future.

This means that we are potentially less exposed to fluctuations in demand – and that we can better focus our energies on de-risking our business from fluctuations in pricing, which is outside our control.

The FY20 coking coal market

The HCC index pricing for coking coal dropped from a peak of USD $236/tonne ("t") in FY19, to a low of USD $109/t towards the end of FY20.

A slowdown in the Indian auto industry market and construction demand in Japan, combined with uncertainty surrounding import controls and economic growth in China and other macro factors caused the initial downward pressure on pricing levels earlier in the year, with an average benchmark of USD $150/t over the first half of FY20.

The impact of the COVID-19 pandemic, particularly in China which continues to be a key influencer on global pricing, saw the benchmark price drop to an average USD $136/t in the second half of FY20. This reflects a temporary drop in demand for coal as countries implemented various pandemic related restrictions to slow the spread of the disease, which had associated economic impacts.

Looking ahead

The global pandemic continues to play a meaningful role in determining the outlook for coking coal prices. While near-term prices are skewed to the downside, over the long term coal prices are expected to rally with the need for blast furnace steel production in a post-COVID world.

We are continuing to look at ways to increase the diversity of our export sales, trialling new markets in Japan and India, with the majority of FY21 sales under contract.

We will continue to monitor the situation as it develops over time. In the short term, we have marginally reduced production levels to ensure the mine's ongoing profitability, and will continue to utilise hedging and cost-cutting strategies.

Our domestic business

EBITDA* $34.1m (FY19: $39.2m)

Included in our domestic EBITDA is:

- North Island domestic ("NID") operations $32.0m (equity share) (FY19: $33.4m);
- South Island domestic ("SID") operations $15.3m (FY19: $18.8m); and
- Corporate overhead costs (Bathurst and equity share of BT Mining) -$13.2m (FY19: -$13.0m).

The decrease in earnings for the SID segment was expected, as sales volumes were reduced from the realignment of production to better support strategic customers and a resultant loss of a sales contract.

A rise in costs at Rotowaro from mechanical issues which increased repairs and plant hire costs were the cause of the marginal decrease for the NID segment.

As the results show, our domestic segments contribute stable earnings year-on-year.

An essential service

With the adoption of additional health and safety precautions, we were able to continue operating safely during the lockdown. This is because our domestic operations, as well as many of our customers we supply, were deemed to be essential services.

This reflects the integral role that our product serves in a functioning New Zealand economy, fuelling many of New Zealand's iconic food and agricultural producers, and supplementing electricity generation to ensure security of supply.

"For many of our customers, our product is a valued and unique ingredient in achieving the exact coal blend they require.

**EBITDA is a non GAAP reporting measure and represents net profit/(loss) before net finance costs (including interest), tax, depreciation, amortisation, impairment, fair value movements on derivatives and deferred consideration, and movements in rehab provisioning.*

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Operating highlights by site

Rotowaro (65 percent equity share)

Rotowaro is an open cut mine located in the Waikato region of the North Island. The mine produces a low-ash, low-sulphur thermal coal for local steelmaking, electricity generation, and other food and agricultural industries.

Adverse weather presented a major challenge for our operations at Rotowaro during the first half of FY20, causing downtime of an average of 40 percent, versus budgeted downtime of 27 percent. Whilst this did not materially impact sales and production volumes, planned overburden stripping volumes were significantly affected.

This deficit was unable to be recouped in the second half of FY20. Being our largest domestic mine site, in order to operate safely during the lockdown we reduced overburden volumes to minimum levels required to maintain immediate coal supply. Mechanical issues experienced in the mobile plant also affected machine availability and increased plant hire and maintenance costs.

Whilst these factors did cause a marginal flow on effect on planned production, sales targets were achieved by drawing down on stockpiles.

We engaged contractors to help with stripping levels and these will continue into FY21 to ensure contracted sales are met. The majority of overburden stripping is planned in the Waipuna West pit.

Maramarua (65 percent equity share)

Maramarua is our smaller Waikato mine, producing similar coal and selling into the same market as Rotowaro.

FY20 was a solid year for Maramarua. All key operational and financial targets were met, largely unaffected by the lockdown. This was despite the challenges from geotechnical issues which required proactive management to ensure operations were not materially impacted.

In contrast to the Rotowaro operations, downtime caused from adverse weather was less than expected, enabling operations to get ahead on overburden stripping volumes. This has left the mine well positioned heading into the next financial year.

Stockton (65 percent equity share)

Stockton is an open cut mine located on the West Coast of the South Island, producing a low-ash metallurgical coal that is exported overseas for use in steelmaking. Our primary markets are in India, Japan, South Korea and Australia.

The 4.5 week shutdown of the mine across March and April during the lockdown had an impact on the mine's operational and financial targets. Productivity improvements implemented to help counter these impacts have now been permanently adopted, and we are well set to meet contracted FY21 sales.

We commenced the construction of a water treatment sump and lime dosing plant in the latter part of the year. These facilities will significantly reduce water treatment costs and provide for future mine expansion.

A key engineering focus for the mine was the de-risking of the Cypress pit. This saw an increase in high-wall stability costs, and the opening up of additional coal face areas to ensure continued access to coal.

We engaged external consultants to identify ways that we could work smarter, which identified several areas for improvement and these are being progressively implemented.

Our efforts to protect local indigenous bird populations was placed as a finalist in the Minerals Sector Awards 2020, recognising the great work being done to minimise our impacts on native birdlife including the iconic great spotted kiwi (roroa).

Canterbury (100 percent equity share)

Operating 70 kilometres west of Christchurch, our Canterbury mine produces low-sulphur coal for local food manufacturing industries. Our mine is managed against long-term contracts and is located very close to its major customer.

This year saw solid results, with all operational targets met and financial targets exceeded, benefiting from coal with a higher calorific value which translated to a higher price received.

The announcement of our success as a finalist in the Minerals Sector Awards 2020 in addressing legacy acid mine drainage ("AMD") issues and preventing future AMD, is welcome recognition of longstanding efforts to reduce AMD at the mine.

We have made significant investment over the last five years in understanding the source of the AMD, and how the waste materials and landforms unique to the site help contribute to the occurrence of AMD.

We have had challenges, with infringement notices issued in late 2017 and a prosecution in 2018 relating to sediment discharges which occurred during heavy rain periods while water control structures were incomplete, for which we were later convicted and fined. But we have adapted – changing our mine plans and practices, and implementing processes to proactively plan for significant rainfall events by increasing capacity of water management infrastructure and improving water treatment facilities.

As a result, we have seen a substantial improvement in water discharge quality, and the removal of legacy AMD that had been caused by a previous mine owner.

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Takitimu (100 percent equity share)

Located north of Invercargill in Southland, our Takitimu mine produces thermal energy coal which is highly sought after by local agricultural, health and other food manufacturing industries.

With the final coal mined from the Coaldale East pit in November, operations are now solely focused on the Black Diamond pit which contains historic multi-seam underground workings. We have proactively managed and monitored the complexities specific to this pit, which include underground coal heating, and potential for minor spontaneous combustions.

Key operational and financial targets were achieved, with operations proceeding largely as expected.

We continue to look ahead, with drilling programmes completed during the year to give a better understanding of coal resources.

Future growth projects

Buller (100 percent equity share)

The Buller project encompasses mining and exploration permits as well as a coal mining licence (Sullivan) on the Denniston plateau on the West Coast of the South Island of New Zealand. Being close to the Stockton mine infrastructure assets, which include the coal handling and preparation plant and a rail loadout facility, this creates material synergies.

The permits include the Escarpment and Cascade mines. Escarpment is currently on care and maintenance, allowing for a ready return to operation when appropriate. We initiated a significant rehabilitation project at the Cascade mine during the year, which will include stabilisation earthworks and topsoil spreading and rehabilitation planting. This work is expected to be completed in FY21.

Key resource development achievements during the year include:

- Progression of drilling programmes.
- Financial assessments and scenarios completed for key opencast resources.
- Completion of a stakeholder engagement plan.
- Finalisation of the concept Upper Waimangaroa haul road (the possible transport corridor to the Stockton infrastructure assets), and completion of associated major environmental baseline studies.
- Completion of major environmental baseline studies for the Sullivan mining licence and the haul road corridor.

The focus for FY21 is on advancing the Sullivan project.

Stockton organic growth project (65 percent equity share)

This project represents the potential to extend Stockton operations via a natural southern extension into open cut pits within the Upper Waimangaroa permit area.

During the year concept engineering reports were finalised, hole drilling was progressed, and a financial assessment of the open cast resources was completed.

Rotowaro North (65 percent equity share)

The Rotowaro North project is a potential extension project to the current Rotowaro mine operations. Key progress made during the year on this project were:

- Completion of a broad-brush risk assessment.
- Drafting of a prefeasibility project plan.
- Progress made on the environmental baseline study.

The focus for FY21 will be to secure mineral and land access rights. Other coal resources near the existing operation are being investigated with a shorter timeframe to production.

Crown Mountain, Canada (22 percent equity share)

Located in a mature mining region in British Columbia, Canada, with well-established transport infrastructure, Crown Mountain is a joint venture with Jameson Resources Limited. The agreement allows us to buy in to this project in three stages (worth CAD $121.5m) to achieve 50:50 ownership, with future investment at our sole discretion.

We have committed to the first two funding tranches equalling a total investment of CAD $11.5m. At 30 June 2020 we had also invested an advance of CAD $2.6m on the final tranche.

Highlights

- The bankable feasibility study has been completed, which reaffirmed Crown Mountain as a high-quality coking coal opportunity for development with a competitive operating and capital cost structure.
- The environmental assessment is on track for the application to be submitted in the first quarter of calendar year 2021.
- We had a 22.2 percent equity share in the project at 30 June 2020, including 2.2 percent held as preference shares from the final tranche option advance.

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Strong underlying financial results*

Net loss after tax for the year was -$47.4m (FY19: net profit after tax $45.0m). Excluding the Buller Coal project performance payment (refer to note 15 (c) in the financial statements), which is considered a material one-off item, underlying profit was $25.8m (FY19: $45.0m).

The decrease in underlying profit reflects consistent domestic segment earnings, and a reduction in export segment earnings primarily from a weakened export coal price. These same factors contributed to an EBITDA of $76.8m for FY20 (FY19:$106.6m).

The decrease in earnings flowed through to a reduction in operating cashflows. However, $66.8m was generated during the year, which covered several significant investing and financing activities, notably:

- Continued investment in the Canadian coking coal joint venture.
- Partial repayment of corporate USD bonds.
- Payment of the FY19 dividend.
- Deferred consideration, the majority paid relating to the purchase of the BT Mining assets; this liability ceases in FY21.
- Investment in Rotowaro operations to extend the life of mine.

A reconciliation of underlying profit to statutory results after tax and EBITDA is provided below.

	Note	2020	2019
Underlying profit		**25,804**	**44,960**
Add back			
Buller Coal project performance payment	15 (c)	(73,230)	-
Statutory (loss)/profit		**(47,426)**	**44,960**
Add back			
Equity share of joint venture results		(30,408)	(45,300)
Depreciation and amortisation		7,088	6,910
Net finance costs	6	14,989	3,388
Movement in deferred consideration	15 (c)	61,686	(41)
Impairment		325	-
Movement in rehabilitation provision		556	278
Bathurst EBITDA		**6,810**	**10,195**
Add back			
Equity share of BT Mining EBITDA		69,965	96,424
Consolidated EBITDA		**76,775**	**106,619**

**Figures are consolidated Bathurst and 65 percent BT Mining. EBITDA is considered the best reflection of the underlying cash generating results of operations, and underlying profit after tax the best reflection of net profit excluding material one-off items.*

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Sustainability – what does it mean to us?

We are committed to economic, social and environmental sustainability; it is fundamental to our business and operations.

Evolving international good-practice on sustainability is raising the ante on measuring and reporting on the natural, human, social, financial and physical aspects of wellbeing. Globally, these living standard indicators are coming under increasing strain, with the onus on private enterprise to lead positive change. We are meeting this challenge by drawing on the Global Reporting Initiative ("GRI") as our guiding framework for annual reporting.

We have identified ten material topics for the sustainability of our business. For each, we are defining the level of performance we want to achieve, and how we measure progress against our goals and targets.

This is the third year of continually strengthening our sustainability metrics, and the data we collect. As with 2018 and 2019, this year's reporting is against material topics spanning socio-economic, health and safety, environment and governance categories.

COVID-19 pandemic

The health and safety of our people and the people we interact with, and compliance with government restrictions during the COVID-19 pandemic have been our top priority. We are also actively building the resilience of our business in view of the related economic downturn that is expected as result of the pandemic.

Climate change

In New Zealand, climate change and the country's response to it loom large in sustainability policy and action. This year we formalised our position on climate change.

As a coal mining company, we have a key role in ensuring continued economic prosperity during the transition to a net zero carbon economy. We will be increasingly focused on producing coal for steel-making, and working with our industrial process heat customers to continue their coal supply, while they contribute towards maintaining New Zealand's food sovereignty and their own part in the transition.

We are also exploring what we can do to reduce the CO_2 emissions for which we are directly responsible as a business.

Environmental management

We are noticing increasing scrutiny of environmental management at our sites. The case study we provide illustrates our commitment to management of biodiversity and freshwater at our mines. It tells a story of identifying the impacts of mining on the environment, and how we are dealing with them to achieve positive outcomes.

Health and wellbeing

Our area of focus in FY20 was our systems management approach to health and wellbeing in the workplace. We are conscious that it's one thing to reduce the risks around slips, trips and falls and other hazards at sites; it's another to deal with longer-term occupational health issues.

We are taking a hard look at how our people are meeting the daily challenge of the working day while safeguarding their health and wellbeing. Bathurst's employee health management system is now rolled out across the organisation. More detail is provided in a case study.

Mining's importance to the West Coast

We surveyed our workforce in 2018 to understand how people are employed in mining on the West Coast, their involvement with the community, and how we collectively contribute to the region. The report we commissioned was updated with the latest census data in early 2020.

Topics covered include residency times, level of home ownership, family ties to the community including schooling, work, voluntary activities, and spending in the local economy. The study reveals our workforce is a significant and living part of the West Coast and its people. Further information is provided in our case study.



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Health and safety



Material topic

Health and safety

Our operations are focused on our people, their safety and wellbeing while mitigating operational risks and maintaining productivity.

FY20 health snapshot

- COVID-19 Business Continuity Plan to manage health and safety protocols.
- Employee health, focusing on “fitness for work” assessments.
- Fundamental occupational hygiene hazard review.

FY20 safety snapshot

- TRIFR (total recordable injury frequency rate) = 8.6 per million hours worked.
- LTIFR (lost time injury frequency rate) = 2.9 per million hours worked.
- More than 1,400 Physical Distancing Safe Work Observations at operating sites during COVID-19 lockdown.
- Introduction of saliva testing for detection and quantification of drugs as part of our fitness for work regime after it was introduced in 2019 by Standards New Zealand.
- Independent audit of our training standard at operating sites.

New ways of working

We introduced a number of new standards this year to enhance the way we operate; key to note are:

- Contractor management – we aim to manage safety, health and environmental risk in relation to contractors working at any operation by defining the relationships between parties.
- Hazardous substances – we introduced company wide hazardous substances management standards during the year to ensure consistency across our sites.
- Vaping – vaping nicotine in New Zealand is legal, and up until recently the smoking laws did not cover vaping. We developed standards to ensure that our people are not exposed to detrimental effects to their health from vaping in the workplace.

People first, shared responsibility

We have a robust, people-centric and innovative approach to workplace health and safety. We do everything we can to encourage, improve, and enforce the right behaviours, culture, and processes across every aspect of our operations, starting with shared responsibility.

We ensure that every one of our mine workers:

- is always alert to their own safety;
- focuses on their fitness for work;
- cares about the health and safety of their colleagues; and
- watches for potential safety risks at all times.

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Continuous improvement

During the year, we completed the roll out of our occupational health monitoring programme across all sites. We expect this system to be a game changer in how our workforce understands and responds to their fitness for work status.

We continue to ensure that all incidents or potential incidents are reported quickly, as a matter of legal compliance. We are improving the competency of our operational supervisors, developing their leadership and management skills.

COVID-19 pandemic

As New Zealand started experiencing cases of the COVID-19 coronavirus in early 2020, we worked to understand and communicate the implications for our people. On 26 March, New Zealand entered Alert Level 4 – Lockdown. Coal production for domestic consumption at four of our sites continued as an essential service, and we implemented strict COVID-19 social distancing, hygiene and other health and safety related protocols.

The same protocols remained in place for all operating sites and offices through to the commencement of Alert Level 1, when reduced protocols were initiated once the risk of community transmission had decreased from zero community cases recorded within New Zealand.

Where possible our people worked at home during the 4.5 week lockdown period. Mining at Stockton ceased during this time because export coal was not deemed to be an essential service by the Government. At the time of preparing this report, we are pleased to say we have not had a single confirmed case of COVID-19 among our workforce.

The pandemic has had a significant economic impact on our financial results, primarily from lower export coal prices, but also the inability to export coal during the lockdown, and a 10 percent impact on worker productivity in observing COVID-19 protocols.

We have been working with our people to retain them in employment while benefiting from government wage subsidies when available, and will continue to do so into the future.

CASE STUDY

OCCUPATIONAL HEALTH MONITORING – ALL OPERATIONS

Safe and well at work

We rolled out health assessments for staff nationwide in a holistic approach to the health and wellbeing of our people, starting with physical health. This programme has awakened personal attention on fitness and wellness, at work and in daily life.

Over the last two years we have helped some of our workers identify potentially serious health problems through a fit-for-purpose mining medical assessment system that we developed. This was a natural progression from the passing of the Health and Safety at Work Act in 2015 and its General Risk and Workplace Management Regulations in 2016.

Early on we realised we held limited data on our employees' personal health risks such as acute and chronic diseases that may create safety risks within the workplace. So we created a health baseline for our workforce, and asked ourselves whether unmanaged health conditions were bringing safety risks into the workplace. We developed a risk profile for an ageing workforce, and a study of how health risks to these people had changed since they started working at our sites.

We set a vision: people must be fit for their role, especially for those undertaking tasks where the risk to themselves or others is higher, should they experience a health issue.

The results

This time last year we had covered 75 percent of the workforce. We now have key results for the majority of full time and part-time employees at operational sites as at 30 June 2020. The fitness for work categories from initial results were:

- A (fit for work) – 56.1 percent.
- B (fit for work with conditions) – 39.2 percent.
- C (temporarily unfit for work) - 4.3 percent.
- D (permanently unfit for work) - 0.4 percent.

Categories B and C have health management agreements drawn up to support the person's health. That can include assignment to light duties until the person has improved their fitness for work status.

Encouraging people to talk about their health raised awareness of specific conditions. We know that for some people this was truly life altering, especially for heart disease cases that were identified. To date the programme has identified ten people who required surgery, including several for coronary angioplasty (stents).

Overall, the most common medical conditions among our employees are heart disease, hypertension, diabetes and sleep apnoea.

Spotlight on obesity

The Body Mass Index ("BMI") is a measure of the proportion of body fat to total body weight. In our workforce, 28.5 percent have a BMI of more than 30, which means they are obese. This is slightly less than the New Zealand population estimate of 30.9 percent.

We are actively improving obesity rates among our people with individual mine managers applying their own proactive measures. These measures vary site to site, and include providing free fresh fruit and bottled water at work, holding an annual weight loss challenge, and encouraging worker participation in local fun runs and mountain biking events.

> **"Raising the health awareness of our people has been truly life altering.**

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Socio-economic

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Material topic

Stakeholder engagement

Engagement with stakeholders and iwi is critical for our continued success and licence to operate now and into the future.

How we engage

We recognise that community and stakeholder engagement is key to earning our social licence to mine and operate in our host communities. In FY20, we prepared detailed stakeholder engagement plans at all of our sites and these are currently being implemented.

A quarterly progress review of the stakeholder engagement plans will be undertaken in FY21, and they will be updated to reflect the current status of mine activities.



Material topic

Economic performance and responsibility

Our focus is to responsibly manage the key processes within our control – financial oversight, productivity improvements and cash costs of production.

Our mining operations are in four regions in New Zealand; Waikato, Canterbury, the West Coast and Southland. We recognise that we have a responsibility to support economic development, wealth and wellbeing in these regions and more importantly in the local communities that host our mines.

Our contribution across our operations includes wages and salaries paid to employees ($65.8 million up on $56.1m last year); taxes, royalties and fees to government ($18.4m, compared with $38.2m in 2019); local procurement of goods and services including employee costs ($251m, similar to last year's $259m); and support of local community initiatives.

We have commissioned an independent survey of the socio-economic impacts on the West Coast, via detailed questionnaires of our workforce on their interactions with their community. Our purpose was to better understand the socio-economic drivers in our communities, and how we can have a more positive impact.

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Community investment is vital

Our relationship with the communities in which we live and operate is important to the future success of our operations. We are committed to operating in a socially responsible manner.

This year our sponsorship programme included sponsorship of the following organisations:

- Life Education Trust West Coast.
- West Coast Search & Rescue.
- Maramarua Volunteer Rural Fire Brigade – part funding towards a new training room.
- Volunteer fire brigades – Westport, Coalgate.
- Primary schools – Pukemiro, Takitimu, Glentunnel, Westport South.
- St John Youth.
- Rugby clubs – Buller, Ohai-Nightcaps.
- Plunket.
- Poutini Waiora.
- Fostering Kids NZ.
- Huntly Heart Kids.
- Huntly Squash Club.
- Buller Bay Fishing Competition.
- Hector Community Swimming Pool.

We continue to be a major sponsor of the Life Education Trust on the West Coast. This is a mobile education classroom that travels more than 5,000 km every year in the region teaching more than 3,300 children on subjects of food and nutrition; human biology; substance abuse; relationships and community; and identity and resilience. The aim is to provide the children with the skills and knowledge to make well informed decisions – now and in the future.

Supporting the industry

We have supported innovation, best practice and professional development in the mining industry as key conference sponsors for the New Zealand Minerals Forum, and the New Zealand Branch of the Australasian Institute of Mining and Metallurgy.

In addition, we are sponsoring the organising of the 14th Congress of the International Mine Water Association with a focus on mine water management, which has been delayed to 2021 because of the COVID-19 pandemic.

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A SOCIAL AND ECONOMIC STUDY – THE WEST COAST

Our contribution to the West Coast region

We commissioned the AIGIS Group led by socio-economic scientist Dr Mark Sargent, to investigate and report on our contribution to the social and economic fabric of the West Coast of the South Island, where our Stockton export mine is located.

The study tells a story of people employed in mining on the West Coast, their involvement with families and communities, and how we contribute to the region. Mining and miners are a significant and living part of the West Coast and its people.

The lead for the study, Dr Sargent says "Employment, qualification and industry of employment data for the West Coast indicate that the composition of the regional workforce is strongly influenced by the presence of the mining industry as a key economic and employment driver."

The workforce survey in August 2018 produced responses from 204 employees and 54 permanent contractors, an 88.9 percent response rate, who on average have worked in the industry for 13.5 years. In the following year we recruited a net 24 additional employees to work at the Stockton mine, with further information from them being incorporated into the survey results.

Other information was sourced from publicly available data (including updating in 2020 with latest available census data), and our internal financial and employment data.

Who are our miners?

- Only 13 percent of the people surveyed have worked in mining for less than six years.
- 36 percent have worked in mining for between six and ten years, and 33 percent have worked in mining between 11 and 20 years.
- 12 percent have worked in the industry between 21 and 30 years.

Buller District and the West Coast Region have higher proportions of people employed as machinery operators and workers (10.1 percent and 9.6 percent, respectively) than the national average of 6.0 percent, based on 2018 Census data. This reflects the strong regional industrial base, including our mining operations.

Living in the region

Our people are committed to living on the West Coast, and are an integral part of the West Coast communities.

As at 2019, 68 percent of our workforce (employees and contractors) lived in Westport, and 93 percent in the wider Buller District.

Around one-third of the workforce has lived on the West Coast for ten years or less, and around half, for more than 20 years. The mean and median residence times are 25 and 21 years, respectively.

Around 86 percent of the workforce either fully own, or own their homes under mortgage, an investment of around $43 million, based on average regional house prices.

Contractors are more likely to rent accommodation (29.6 percent) than employees (10.3 percent). Renters contribute on average $406,000/year in rents into the regional economy.

Ours is a workforce with strong local economic and social ties. This is also reflected in how the West Coast's population reacts to changes in mining activity.

Data from Statistics NZ, Development West Coast and Infometrics show that in 2013 the region's population was 32,150, and in 2018, this figure dropped to 31,550. This followed the rationalisation of the former Solid Energy assets, the closure of Oceana Gold's Globe Progress gold mine, and closure of the Holcim cement works. Conversely, future expansion of mining would be expected to see people coming into the region for work.

Family life is important to our employees, with 76.7 percent of the work force living as couples, or couples with children. Survey respondents have households totalling 734 people, an average of 2.8 per household, compared to the Buller District average of 2.3.

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Active in the community

Of the 734 people in the workforce survey respondents' households, 25.6 percent are at schools or in other education. Around 36 percent of people in these households are 24 years or younger, and 20 percent are aged 5–17, with an estimated 160 children attending local schools.

Workforce members play an important part in their communities, with 161 respondents (62 percent of the survey sample) providing 248 responses, covering 399 activities, across all categories of community involvement. They include emergency services, sports, community, schools, service, recreation and cultural organisations.

Connected into the West Coast economy

Our workforce spends on average 70 percent of their income in the regional economy, estimated at $8.6-9.4m per year, inferred from Statistics NZ data.

87 percent of other members of our employees' households either study or work, and of the 87 percent, 48.4 percent are employed full time, and 12.5 percent part time. These working residents also spend part of their incomes in the local and regional economies.

We spent $13.5m across 102 West Coast businesses, averaged over the 2017–2019 financial years. This included $5.6m spent with 79 businesses in Buller, and $4.8m with 73 businesses in Westport. These figures compare with the $96m Bathurst spent with 397 businesses throughout New Zealand.

Based on a separate survey of West Coast extractives industries conducted in 2018, each of the above businesses likely have at least one or two other West Coast businesses among their major suppliers; i.e. an estimated 153 additional West Coast businesses benefit from economic activity consequent to our activities.

We directly inject approximately $19m per year into the West Coast economy. This breaks down to $16.3m and $12.2m per year for Buller District and Westport, respectively.

Mining and the West Coast

In 2018 mining was the third largest industry on the West Coast, delivering $107m, or 19 percent of Gross Regional Product for the region's main economic drivers, behind tourism (34 percent), and dairying (36 percent), according to Development West Coast ("DWC")/Infometrics data, and mining was ahead of agriculture, forestry and fishing (11 percent).

Between 2010 and 2018, DWC/Infometrics data show that labour productivity for mining was on average 2.5 times greater than that for the regional economy generally. This means mining is a relatively capital-intensive industry, with workers earning high wages.

Taking total GDP for the West Coast of $1,517 bn as at March 2018, mining's contribution was 7.1 percent while mining employment in the region was 2.9 percent. The equivalent figures for Buller District were 13.8 percent and 6.9 percent.

In 2018 mining on the West Coast produced $227,660 of GDP per filled job, while dairying in comparison produced $173,061, other agriculture $81,041, manufacturing (minus dairy) $68,589, and tourism $59,603.

> **"Mining and miners are a significant and living part of the West Coast.**

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Environmental

Material topic

Energy and emissions

We continue to find new ways to use energy more efficiently in our operations, and are improving our measurement and reporting of energy efficiency. We aim over time to reduce our carbon footprint, in terms of carbon dioxide emissions per tonne of coal produced.

Energy use

This year energy consumption remained one of our largest operational inputs.

In efforts to reduce our consumption, we have been working with Mobil Oil New Zealand in assessing trials of Mobil Diesel Efficient in the performance of two CAT 777 dump trucks at Maramarua. It is expected that use of this new fuel will reduce consumption by up to 3 percent, with lower emissions of nitrogen oxides (up to 10 percent), particulate matter (22 percent), and carbon dioxide (2.8 percent). In addition, we have been supporting a project to assess the feasibility of a hydro scheme to generate 24 megawatts of power from the Stockton mine site water runoff, where over six metres of rain falls each year.

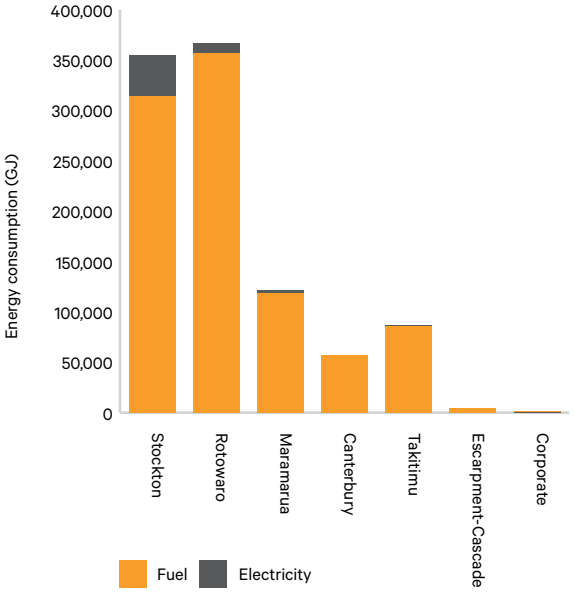
Total energy consumption for FY20 is reported in terms of energy consumed (fuel and electricity) by employees and contractors and amounted to 992,267 gigajoules ("GJ") at our five operational sites, the Cascade mine rehabilitation project and corporate offices. This is approximately a 3 percent decrease on energy use reported in FY19. Overall total waste rock stripping which is the key determinant of our energy consumption decreased by 6 percent with 18.86 million banked cubic metres (M bcm) of waste rock stripped at the five sites in FY20, compared with 20.02 M bcm in FY19.

94 percent of the energy consumed at our sites includes fuel used for operations, and power for the Canterbury mine. The remaining 6 percent of energy consumed was purchased electricity.

When comparing energy consumption by operation, there are significant differences reflecting the scale of each operation and the mine life cycle stage. The Rotowaro mine was the largest consumer at 366,760 GJ, reflecting the movement of more than 8 M bcm of waste rock in FY20, due to increased stripping ratios at this mature site.

The Stockton mine was the second largest consumer of energy at 354,344 GJ. This is consistent with producing and washing the most coal of the five sites, and reflects the electricity used in the coal handling and preparation plant, and the Ngakawau coal loadout facility. To note, the Stockton mine did not operate during the COVID-19 lockdown period or it would have been the largest power consuming site.

Comparison of energy consumption by operation FY20



The above graph excludes Sullivan where consumption was zero.

Greenhouse gas emissions

We measure greenhouse gas emissions and participate in the New Zealand Emissions Trading Scheme ("ETS") in which carbon pricing is passed on to our customers.

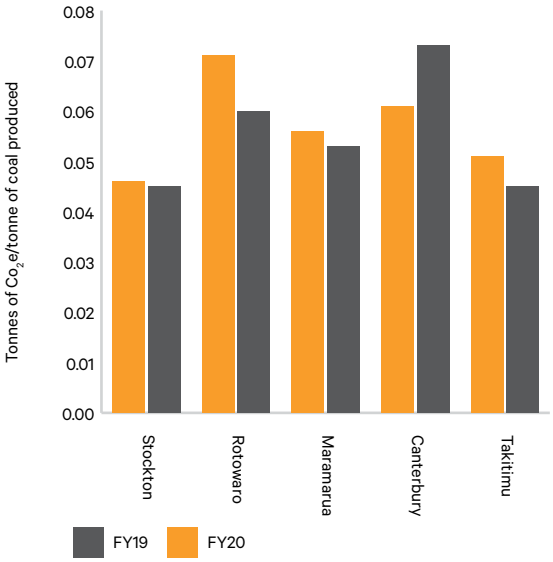
We assist our customers in relation to ETS in terms of the quality of energy supplied and efficiency in supply logistics. A key advantage of our Canterbury mine is that it is located within 20 km from its major customer in Darfield, significantly reducing transport emissions. This recognises that whilst we support a transition from coal to renewable energies, this will take time – so we will endeavour to provide coal in a responsible way as long as our energy customers require it.

If Canterbury's existing customers were to source coal from elsewhere in New Zealand, this would require trucking the resource from either the West Coast (250 km away) or from Southland (610 km away), significantly increasing the transport carbon footprint. Alternatively, and as is the case for the Huntly power station, coal could be imported from overseas suppliers such as Indonesia, which also has a much higher transport carbon footprint.

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Our mining operations use significant quantities of diesel fuel to extract coal and transport coal within the sites. Electricity is required for coal processing, water treatment plants and mine management systems. Our coal also releases its own greenhouse gases ("GHG") to the atmosphere (fugitive emissions), accounted for in the FY20 production tonnages under the Scope 1 emissions category. We report our GHG emissions with reference to their source as follows:

GHG emissions intensity



Our reporting of Scope 1 and 2 emissions is consistent with GRI reporting guidelines. In accordance with GRI, we have reported carbon dioxide in our GHG emissions calculations as carbon dioxide equivalent ("CO_2e"). This year we have also accounted for sulphur hexafluoride gas emissions from transformers, and emissions from the use of ammonium nitrate in blasting.

We work with blast consultants to ensure our blasting practices optimise the recovery of clean coal. This reduces our GHG emissions by reducing the tonnages of contaminated coal that needs to be processed in energy-intensive coal washeries.

Total Scope 1 and 2 emissions for FY20 were 112,548 tonnes of CO_2e, of which:

- 40 percent related to fugitive emissions from coal production;
- 1 percent related to electricity use; and
- 59 percent related to fuel consumption and blast emissions.

The data for FY20 is approximately 7 percent less emissions than FY19. This is due to a 6 percent decrease in waste rock stripping (partially due to the COVID-19 lockdown at the Stockton mine), and reduced CO_2e from fugitive emissions as 13.3 percent less saleable coal was produced in FY20 across the five sites compared with FY19.

In FY20, the highest GHG emissions intensity per tonne of coal produced was at the Canterbury and Rotowaro mines. Intensity is high at Canterbury because electricity is supplied from diesel generators in lieu of access to the national grid, and it has the lowest production rate of the five mines.

Rotowaro had a higher emission intensity this year because significant volumes of waste rock were stripped in the Waipuna West pit which is in the development stage. Also, saleable coal tonnages decreased due to a planned shift in supply to a key customer over a longer period.

Overall total GHG emissions intensity across all our operations were similar to FY19 at approximately 0.05 tonnes CO_2e/tonne coal in both years.

Site	FY20 Scope 1 emissions (t/CO_2e)	FY19 Scope 1 emissions (t/CO_2e)	FY20 Scope 2 emissions (t/CO_2e)	FY19 Scope 2 emissions (t/CO_2e)
Stockton	43,545	47,525	1,084	1,093
Rotowaro	36,553	39,158	278	431
Maramarua	13,740	12,069	75	128
Canterbury	6,286	9,283	-	-
Takitimu	10,626	10,786	29	30
Cascade	302	-	-	-
Corporate	15	15	15	8
Total	**111,067**	**118,837**	**1,481**	**1,690**

Scope 1 includes emissions from fuel and fugitive emissions from coal; Scope 2 are emissions related to electricity usage. The emissions are calculated following the procedures in the New Zealand Ministry for the Environment May 2019 report ME1414 titled "Measuring emissions: A guide for organisations – 2019 detailed guide". Emissions for Escarpment and Sullivan were nil.

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Material topic

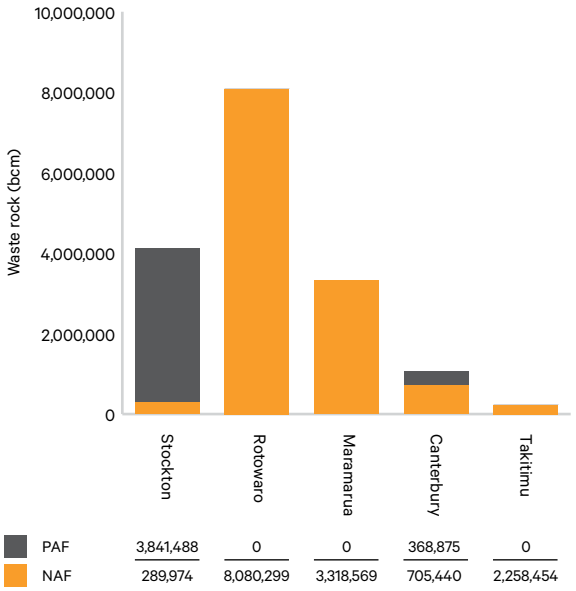
Overburden management

Managing overburden materials to create stable landforms for rehabilitation is a key focus when developing our mine plans. This includes focus on implementing controls such as characterising mineral wastes and managing site storage to limit environmental effects and minimise closure costs.

The two mine sites that disturbed potentially acid forming ("PAF") waste rock were Stockton and Canterbury.

PAF waste rock disturbed decreased by 2 percent compared with FY19, as overall waste rock disturbance reduced by 1.16 M bcm. The total amount of waste rock per tonne of saleable coal across all sites increased from 8.6 bcm/t in FY19 to 9.3 bcm/t, predominantly due to increased stripping ratios at Rotowaro and Stockton mines and the effects of the COVID-19 pandemic reducing coal output at Stockton.

Waste rock (bcm) disturbed in FY20



Following procedures in our Acid Mine Drainage management plan, in the Cypress pit at the Stockton mine we have been applying up to 16 kg of lime per tonne of PAF waste rock to minimise AMD production. At Stockton we have also constructed a second calcium oxide dosing plant to actively treat up to 3,000 tonnes of AMD per year in the St Patrick's stream catchment. This plant started treating AMD in July 2020.

The Canterbury site actively manages PAF rock by selectively placing and compacting this material in areas of backfill where it can be safely covered by a minimum five-metre thickness of non-acid forming ("NAF") rock. This minimises oxygen and water entry into PAF waste rock, ensuring minimal acidic water is produced from the backfill. Legacy AMD issues inherited from the mine's previous owner have been managed by excavating an entire old overburden area that was the dominant origin of legacy high acidic seeps. This historic PAF material was placed into a new engineered landform and encapsulated, compacted and covered with a five-metre thick NAF cover.

Small historic acidic seeps from former underground mines in the Canterbury area are treated via two mussel shell bio-reactors. The waste mussel shells neutralise acidic water and this is also a way of recycling the shells instead of disposal to landfill.

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Material topic

Land use and biodiversity

We strive to avoid and minimise any significant impacts our operations may have on sensitive species, habitats and ecosystems. We integrate biodiversity into our business decision-making and management activities.

Our objective is to rehabilitate mine sites to ensure self sustaining indigenous ecosystems are established or re-established. Where the post mining land use preference is pasture by the landowner, we focus on enhancing the chemical, physical and biological aspects of the soil before carefully selecting climate adapted pasture species.

Currently we have several active biodiversity offset projects underway that involve thousands of hectares of pest control management (defined by consent conditions) on Department of Conservation administered land. We are also working with experts and stakeholders to deliver biodiversity outcomes in the context of current or future mine closures. That includes minimising our land disturbance footprint and progressively restoring disturbed land.

Soil is salvaged and where appropriate vegetation direct transfer ("VDT") is undertaken to speed up and improve the quality of indigenous ecological restoration. VDT is a method in which the sods of intact plants and soils are moved intact from stripped areas, usually in six cubic metre chunks. This method avoids new plantings, boosts ecosystem recovery, maintains biological activity within the soil and enhances erosion control.

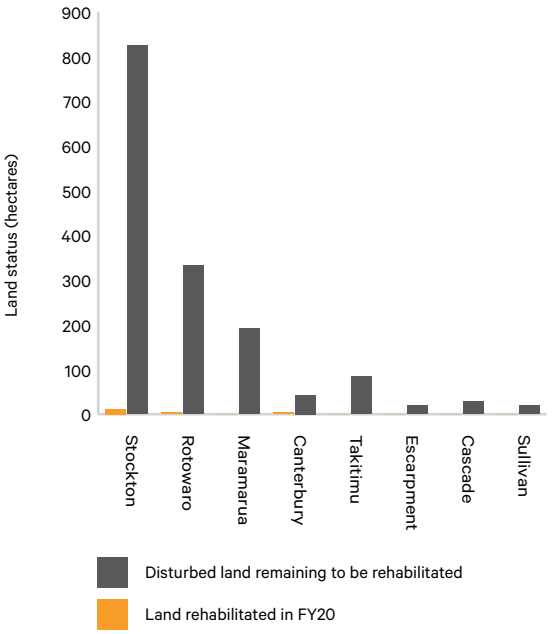
Overall net total land disturbance over all sites in FY20 increased by 18 hectares ("ha"). The Stockton mine accounts for 53 percent of the total disturbed area. Mining of the Millerton pit area at Stockton over the next few years will provide for a more established strip mining operation, in which progressive rehabilitation rates are projected to reach double the current Stockton mine rehabilitation rate of approximately 20 ha per year. Our budgeted rehabilitation area for FY21 is 72 ha across all sites. It is noted that Maramarua is in a development stage, so no areas will be available for rehabilitation during FY21.

Rehabilitation budget table

Site	Rehabilitation budget FY21 (ha)
Stockton	19.3
Rotowaro	16
Maramarua	0
Canterbury	7.7
Takitimu	15
Escarpment-Cascade	11.7
Huntly West	2.3
Total	**72**

No rehabilitation was undertaken at the Escarpment or Sullivan mines in FY20 as these mines are in care and maintenance, and no rehabilitation was undertaken at Maramarua as it is in development mode.

Land disturbed and rehabilitated



A rehabilitation project commenced at Cascade mine this year, however as no final stage rehabilitation areas were completed by the 30 June there are no hectares shown in the graph above.

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Material topic

Water management

We aim to manage our water inputs, use and outputs to inform our management of water-related risks, seeking to minimise the impact to other water users and the environment.

All our mine site discharges have specific conditions related to discharge consents to protect aquatic ecology. No downstream water sources have been adversely impacted by water use at our sites in FY20.

Overall water use this year was 927 million litres, a reduction of 8.2 percent in water use compared with that of FY19. A significant proportion of this reduction is due to approximately 200,000 less tonnes of coal being washed through the Stockton mine coal washery as the mine was not authorised to operate under the COVID-19 lockdown.

Success for freshwater ecology at the Takitimu mine has been confirmed by a fish survey undertaken in May 2020 in the diverted tributary stream of the Wairio stream, which reveals a healthy population (juvenile and adult size ranges) of 111 nationally vulnerable *Gollum galaxias* fish (rare whitebait species).

Consumptive water use

	FY20 Consumptive water use (Ml/yr)	FY19 Consumptive water use (Ml/yr)
Stockton	592	644
Rotowaro	195	209
Maramarua	49	46
Canterbury	54	56
Takitimu	35	53
Corporate	2	2
TOTAL	**927**	**1,010**

Note that the Takitimu mine water usage was incorrectly reported in the FY19 annual report as 121 Ml/yr.

Water use intensity

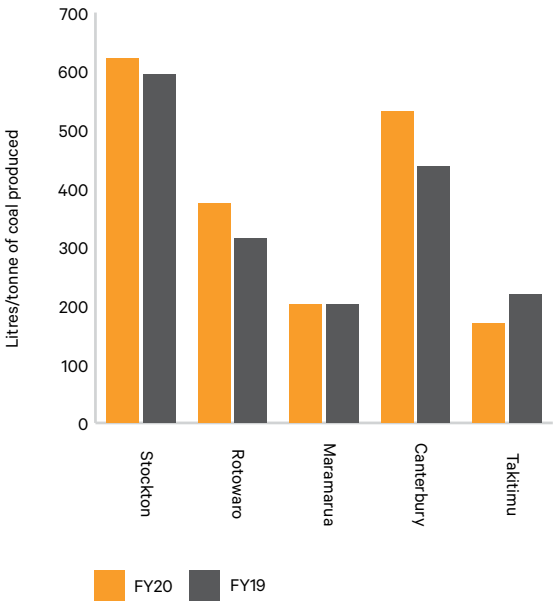
Based on estimates of consumption, water use intensity (measured as litres of water used per tonne of coal produced) is shown below. This year sites used between 169 to 621 litres of water to produce a tonne of coal. Significant water use at sites with a large disturbed area or close proximity to residences is related to dust suppression using water carts and sprinklers.

The Canterbury mine had a particularly high water use intensity due to an unusual, very dry summer period.

Stockton has the highest intensity of water use, which reflects the intensive use of the coal handling and preparation plant, accounting for 86 percent of the site water usage. It is noted that the coal washery water is treated for acid and sediment load and is returned to the Mangatini Stream.

The Takitimu mine had a 34 percent reduction in water use due to significantly more rainfall during the summer months, requiring less water use for dust suppression.

Water use intensity at mine sites FY20



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CASE STUDY

CANTERBURY MUDFISH / KŌWARO CONSERVATION – CANTERBURY MINE

Protecting a regional treasure

We have stepped in to help protect the critically-endangered Canterbury mudfish / kōwaro. Lack of fencing of livestock from streams, riverside willows and other weeds, few native plantings, sediment and nutrient run-off into streams are major threats to its conservation.

The Waianiwaniwa valley in inland Canterbury is a major habitat for the endemic kōwaro. The streams here become disconnected from rivers in the lower Selwyn catchment due to seasonal drying of the streams as they enter the Canterbury plains, creating an environment free of predator fish species such as eel (tuna). This catchment however, like much of Canterbury, is dedicated to rural land use and is relatively unprotected for the kōwaro.

On gaining access in May 2020 to a purchased 31-hectare block of rural land, we committed to fencing 1,100 metres of the Bush Gully Stream from livestock. We are also spraying weeds and planting riparian native species along this stream. This is part of a programme to protect and enhance kōwaro habitat in the Bush Gully Stream which runs to the north of the Canterbury mine and later joins the Waianiwaniwa River.

Other actions are to remove two stands of crack willow as part of a wetland restoration project. We manage run-off into freshwater from the mine, making improvements to fish passage. The intent is to covenant 20 metres on either side of the mid-point of Bush Gully Stream for 1,100 metres, over an area totalling 44,000 m^2 or 4.4 hectares.

Improving the science

We supported a survey of kōwaro populations in the Bush Gully Stream via a University of Canterbury master's thesis, and more widely, the Waianiwaniwa and Hororata catchments. This work builds on other aquatic surveys on kōwaro carried out in Bush Gully Stream since 2006.

A further issue is uncontrolled drainages into the Bush Gully Stream from historical underground mines dating from the 1900–1970s. We are analysing water quality and quantity in these flows to understand how these drainages can be managed to improve stream water quality.

A holistic issue

Nature conservation can rarely be done in isolation to be effective. This is especially true of the kōwaro and its stream habitat, almost all of which is degraded. This is a call for action on landowners, farmers and foresters, mine and quarry operators, government, iwi and local communities. We are proud to be playing our part in this kaupapa or cause.



Canterbury galaxias (lower), Canterbury Mudfish (upper). Bush Gully Stream fish survey 2019.

> **We are proud to be playing our part in this kaupapa to protect the kōwaro.**

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Governance



Material topic

Compliance

Compliance in the mining sector represents a significant risk to our business. We are continually focused on achieving positive and compliant performance outcomes.

What do we mean by governance?

Governance is ensuring we have the policies, procedures, systems and suitably trained employees in place to achieve industry good practice in managing workplace health and safety, and the environmental and socio-economic impacts of our mining, processing and transport operations.

The COVID-19 pandemic and associated restrictions have imposed a particular duty of care on us. Under the banner of Health, Safety, Environment and Community all of our people have been responsible for implementing our COVID-19 protocols and procedures.

Environmental compliance and governance

Our corporate environmental governance is based on current international standards for environmental management. For example, we follow the principles under the International Council on Mining & Metals (2019) Integrated Mine Closure: Good Practice Guideline for all of our mine site closure plans.

In mine stages from exploration, development and mining to closure and after-care, we focus on meeting or surpassing environmental regulatory requirements to manage:

- water quality and water use;
- energy use;
- air emissions;
- waste;
- land reclamation and post-mining land use; and
- biodiversity including offset projects.

Effective complaint handling

Our reputation for honesty and integrity is important for the success of our business. We aim for our business practices to be compatible with, and sensitive to, the economic and social priorities of each location and community in which we live and operate.

We have revised and trained the workforce on our whistle-blower policy and established a whistle-blower hotline, in partnership with EAP Services (an independent service provider). This hotline, directly overseen by our Audit and Risk Committee, enables employees to confidentially and anonymously report either by telephone or electronically any concerns or misconduct in any aspect of our business.

Internal and external complaints on environmental issues are recorded via complaints registers maintained at all sites. Environmental and community complaints are investigated via our internal incident investigation system and are only closed off by senior management when resolved.

Environmental management systems ("EMS")

An accredited, external international environmental management consultant firm IEMA has documented improvement actions to our EMS and discussed these in training workshops with our site personnel.

In FY21, we have committed to improving our EMS by:

- An audit of mine closure costs, schedule and tasks will be undertaken by a mine closure expert at all sites.
- Preparation of biodiversity action plans for all of our sites.
- Review, update and implement Site Environmental Management Plans.
- Review of site operational and closure risk assessments, and to prepare and implement a schedule for environmental risk reduction/minimisation.

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Material topic

Mine closure standard

We aim to manage closure focusing on supporting the economic and social transition after mining ends, establishing a self-sustaining ecosystem and opportunities for a range of potential post-mining land uses.

We are implementing an internally developed Decommissioning and Mine Closure Management Standard, which draws on international experts. This has been tested at our largest and most complex site, the Stockton mine.

Material topic

Emergency preparedness management

We maintain emergency management plans to identify the potential for emergency situations and we regularly test our capability to respond.

COVID-19 is a reminder that there is always a risk of an adverse event occurring. Hence, we have crisis management plans in place to minimise the impacts that a significant event could have on the public, our employees and the environment.

This is integrated with our site emergency response plans, which are maintained and regularly tested at our mine sites. This year, major incident response exercises in collaboration with emergency services were undertaken at the Canterbury, Takitimu and Stockton mines.

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Our people



Board members

Toko Kapea

Non-executive Chairman

Toko is a Wellington-based commercial lawyer, consultant and director at Tuia Group Limited. He has worked at Chapman Tripp and in-house at Meridian Energy, Bank of New Zealand and ANZ. He currently sits on the board of Television New Zealand (state owned broadcaster) and Duke Exploration Limited, an exploration company with tenements in Queensland and New South Wales. He is also Chair of Bathurst's Audit Committee.

Richard Tacon

Executive Director & Chief Executive Officer

Richard has worked in almost every role in coal mining since starting his career in the 1970s. Richard's first job in the industry was at Greymouth's Liverpool State Mine and after working in Australia for 32 years, Richard returned to Wellington, New Zealand to take up the position of Chief Operating Officer at Bathurst in 2012. He was appointed to the role of Chief Executive Officer in March 2015.

Richard is the Chair of the Coal Association of New Zealand and sits on the boards of the New Zealand Mines Rescue Trust and Straterra. Richard is a director of BT Mining Limited as a Bathurst representative.

Russell Middleton

Executive Director & Chief Financial Officer

Russell has over 30 years in the mining and construction sector with significant experience in mine project evaluations and construction of new mines. Starting his career as a public accountant, Russell has held senior management positions in commercial and planning roles with BHP and Anglo American. Russell is a director of joint venture entities BT Mining Limited and NWP Coal Canada Limited as a Bathurst representative.

Peter Westerhuis

Non-executive Director

Peter is a professional engineer with post-graduate business qualifications and over 30 years of Australian and international resources experience in the iron ore, gold and coal industries, the last 12 years at CEO and MD level. He has successfully developed and managed large mining and processing operations including overseeing the transition from explorer to producer, and has undertaken many complex commercial negotiations.

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Senior leadership team

Fiona Bartier

General Manager, Health, Safety, Environment and Community

Fiona is an environmental and resource scientist who has worked in management roles for government, industry groups, and mining companies. With over 20 years experience, Fiona joined Bathurst in 2012 to manage our HSEC portfolio.

Alison Brown

General Counsel

Alison holds a Master of Laws with Honours, and has 40 years' legal experience specialising in mining, environmental and climate change law. She spent the first 20 years of her career in leading law firms and at the Ministry of Foreign Affairs and Trade. For the past 20 years she has worked at senior levels in the coal industry.

Carmen Dunick

Group Manager, Human Resources

Carmen joined Bathurst in 2017 to manage the human resources ("HR") function. She holds a Bachelor of Social Sciences and is a member of HRINZ. Carmen has worked in all areas of HR, with over 15 years' experience in both the public and private sectors.

Ian Harvey

General Manager, Export Operations

A mining engineer with over 30 years' industry experience. Ian has held senior management and operations leadership roles, specialising in metallurgical coal market planning and resource optimisation, and mine planning and design. Ian is a member of the Australasian Institute of Mining and Metallurgy ("AusIMM").

Sam Johnstone

General Manager, Marketing and Logistics

Sam brings a wealth of experience in marketing New Zealand's unique coal domestically and internationally, and since our investment in BT Mining, has continued to manage and add value to our domestic and export customer contracts . Sam holds a Postgraduate Master of Science majoring in Geography.

Craig Pilcher

General Manager, Domestic Operations

Craig has over 30 years' experience which includes a background in engineering and owner of a coal supply business. Craig joined Bathurst in 2013, working as GM Operations and GM of Marketing and Sales, briefly leaving Bathurst before returning to manage the domestic operations in 2019. He is also a director of BT Mining Limited.

Damian Spring

General Manager, Resource Development

A mining engineer with over 25 years' experience locally and offshore, Damian consulted to Bathurst from 2010 before joining the company in 2017 as the General Manager, Domestic Operations. Since 2019 Damian has led Bathurst's resource development, focusing on growth projects. Damian is a chartered professional member of AusIMM.

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Directors' report

Your directors present their report on the consolidated entity ("the Group") consisting of Bathurst Resources Limited ("Bathurst") and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Directors

The following persons were directors of Bathurst Resources Limited as at 30 June 2020.

Toko Kapea	Non-executive Chairman
Richard Tacon	Executive Director
Russell Middleton	Executive Director
Peter Westerhuis	Non-executive Director

Principal activities

During the year the principal continuing activities of the Group consisted of:

- the production of coal in New Zealand, and
- the exploration and development of coal mining assets in New Zealand.

Dividends

No dividend was declared relating to the 30 June 2020 financial year. A dividend was paid on the 23 October 2019 relating to the 30 June 2019 financial year, at AU 0.3¢ per share.

Environmental regulation

Our exploration and mining activities are subject to a range of environmental controls which govern how we carry out our business. These are set out below.

Mine development/mining activities

Mining activities are regulated by the following:

- Resource consents granted by the relevant district and regional territorial authorities, after following the processes set out in the *Resource Management Act 1991*.
- Mining licences granted originally under the *Coal Mines Act 1979* and now regulated under the *Crown Minerals Act 1991*.
- Mining permits issued under the *Crown Minerals Act 1991* by the Minister of Energy and Resources, required to mine Crown coal.
- Access arrangements or profit à prendre granted by owners of private (i.e. non-Crown owned) coal.
- Access arrangements granted by relevant landowners and occupiers granted under the *Crown Minerals Act 1991*. For Crown-owned land managed by the Department of Conservation, these access arrangements are granted either by the Minister of Conservation or, for significant projects, jointly by the Minister of Conservation and the Minister of Energy and Resources.
- Concession agreements under the *Conservation Act 1987* for land outside a permit area but owned by the Crown and managed by the Department of Conservation.
- Wildlife authorities issued under the *Wildlife Act 1953* granted by the Minister of Conservation.

Controls around water and air discharges that result from mining operations are governed by the conditions of the resource consents that the particular mining operation is operating under. Our mining operations are inspected on a regular basis.

A discharge occurred at the Canterbury mine in January 2018 and the Canterbury Regional Council ("Council") laid charges in respect of this incident. Whilst the matter was initially resolved through the Council's alternative environmental justice ("AEJ") processes, the District Court had issues around the validity of the AEJ process as a whole. Bathurst pled guilty to one representative charge and was convicted and fined $18,000 in November 2019.

Other than as disclosed, to the best of the directors' knowledge, all mining activities have been undertaken in compliance with the requirements of the *Resource Management Act 1991, Crown Minerals Act 1991, Conservation Act 1987 and Wildlife Act 1953*.

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Exploration activities

To carry out exploration, we need to hold a relevant exploration permit (where the coal is Crown owned) or consent from the mineral owner where the coal is privately owned, relevant resource consents to permit exploration, access arrangements with the relevant landowner and occupier and where wildlife is impacted a wildlife authority.

To the best of the directors' knowledge, all exploration activities have been undertaken in compliance with the requirements of the *Resource Management Act 1991, Crown Minerals Act 1991, Conservation Act 1987 and Wildlife Act 1953*.

Hazardous substances

Mining activities involve the storage and use of hazardous substances, including fuel. We must comply with the *Hazardous Substances and New Organisms Act 1996 and Health and Safety at Work (Hazardous Substances) Regulations 2017* when handling hazardous materials. To the best of the directors' knowledge, no instances of non-compliance have been noted.

Emissions Trading Scheme

The New Zealand Emissions Trading Scheme ("NZ ETS") came into effect from 1 July 2010, which essentially makes us liable for greenhouse gas emissions associated with the coal we mine and sell in New Zealand and for the fugitive emissions of methane associated with that mined coal. Liability is based on the type and quantity of coal tonnes sold, with the cost of such being passed on to customers. Bathurst's Emissions Trading Policy can be found on our website.

Corporate governance

Bathurst's Corporate Governance Statement is available on our website

www.bathurst.co.nz/our-company/corporate-governance

Donations

Bathurst made donations totalling $44,557 to several local groups during the year including scholarships. Further information of donation recipients can be found in the socio-economic material topic of our sustainability section of the annual report.

Directors' and officers' liability insurance

The company and its subsidiaries have arranged policies of directors' and officers' liability insurance, which, together with a deed of indemnity, seek to ensure to the extent permitted by law that directors and officers will incur no monetary loss as a result of actions legitimately taken by them as directors and officers.

Other information on directors

Directors' securities interests

Director	Ordinary shares	Performance rights
Mr T Kapea	3,907,409	-
Mr R Middleton	12,528,309	3,451,264
Mr P Westerhuis	3,518,636	-
Mr R Tacon	16,003,027	5,979,379

The increase in ordinary shares held by directors arose from the exercise of previously issued performance rights that vested on the 31 December 2019. Additional performance rights were granted during the year to executive directors. For further information refer to note 18 in the financial statements.

Other current directorships of listed companies

No directors hold other current directorships in listed companies or have done so in the last three years.

Other entries in the interests register

Other than transactions relating to performance rights as noted above, other entries in the interests register during the year consisted of:

- Russell Middleton accepting a non-executive director position and 10 percent ownership in Penguin Risk Solutions who provide insurance in Australia. There is no intent to change Bathurst's insurance providers and as such this appointment does not represent a conflict of interest.
- Toko Kapea accepted appointment as member of the advisory committee member of Finistere Ventures LLC (USA) for its New Zealand operations. No conflict of interest was reported in respect of this appointment.
- Toko Kapea came off the board of Ngaitakoto Custodian Trustee Limited.

Audit fees

Other than as disclosed in note 5, fees payable to Bathurst's auditors for agreed upon procedures services required under a Deed of Royalty total $4k plus disbursements.

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Remuneration report

Role of the Remuneration and Nomination committee

The Remuneration and Nomination committee ("R&N committee") is a subcommittee of the Bathurst Board of Directors ("Board"). The R&N committee is responsible for making recommendations to the Board on remuneration matters such as non-executive director ("NED") fees, remuneration for directors and other senior executives, and the over-arching executive remuneration policy and incentive schemes. All its members are NEDs.

The objective of the R&N committee is to ensure that Bathurst's remuneration policies are fair and competitive, and aligned with the long-term interests of Bathurst and its shareholders. The R&N committee draws on its own experience in remuneration matters and seeks advice from independent remuneration consultants where appropriate.

There have been no material changes to the remuneration framework during the year.

The corporate governance section of our website provides further information on the role of the R&N committee.

NED remuneration framework

NED fees reflect the level of responsibility and the demands which are made on the directors' time and are reviewed annually by the R&N committee. Fees paid to the chairman are determined independently to the fees of other non-executive directors.

An external benchmark report was prepared by independent remuneration consultants as part of the annual review process. This assessed current remuneration and structure for members of the Board. Increases to NED fees including the Chairman of the Board were made during the year to bring fees in line with market expectations for an ASX company of similar size and complexity.

Executive remuneration

The objective of Bathurst's executive reward framework is to ensure reward for performance is competitive, appropriate, promotes retention of employees, and aligns with Bathurst's strategic objectives and shareholder interests.

The framework provides a mix of fixed and variable short- and long-term incentives, that are measured against internal and external financial and operational metrics. This enables the ability to recognise individual achievements and results, attract and retain high calibre people, and with the focus on the long-term, align with shareholder's interest of sustainable growth.

As executives gain seniority, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

The framework has three components:

- Fixed remuneration, including superannuation.
- Short-term incentives.
- Long-term incentives.



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Fixed remuneration

Bathurst offers a competitive fixed remuneration that is based on the responsibilities of the role, individual performance and experience, and current market data. External consultants provide advice to ensure the fixed remuneration component is set within market benchmarks for a comparable role. Fixed remuneration is reviewed annually, and on promotion.

There are no guaranteed increases to fixed remuneration.

Short-term incentives

Short-term incentives ("STI") are an at-risk component of senior executive and executive director remuneration, payable in cash on achievement of performance targets that align with the strategic pillars of Bathurst's strategy. Key performance indicators are a mix of financial and operational measures.

These are reviewed, and if approved, paid annually as recommended to the Board by the R&N committee.

Long-term incentives ("LTI")

Bathurst's LTI plan ("LTIP") was updated and approved by shareholders at the 2018 AGM, the details of which can be found on the Company's website. The purpose of the plan is to encourage senior executives and executive directors to share in the ownership of the Company, promoting the long-term success of the Company and alignment with shareholder interests.

A number of awards may be made under the plan, consisting of:

- **Performance rights:** these are rights to acquire shares in the Company subject to satisfying performance and service conditions. The rights are issued for a nil exercise price.
- **Options:** options are a right to acquire shares in the Company for the payment of an exercise price determined at the grant date and subject to performance and service conditions.
- **Service rights:** these rights to acquire shares in the company are subject to satisfying service conditions only. The rights are issued for a nil exercise price.
- **Deferred share awards:** these are shares in the company granted in lieu of remuneration or incentives and may be subject to performance and/or service conditions.
- **Cash rights:** these are rights to receive a cash payment on achievement of performance and/or service conditions.
- **Stock appreciation rights:** these are rights to receive shares in the company to the value of any share price appreciation from the grant date to the vesting date, subject to satisfying performance and/or service conditions.

Relating to the FY20 period, the following LTI awards were issued on recommendation of the R&N committee:

- Performance rights were granted to executive directors, refer to note 18 in the financial statements for further information.
- Performance rights were granted to members of the senior leadership team in August 2020. These have the same terms as those granted to executive directors, but a different grant date.

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Directors' remuneration

The total remuneration and other benefits to directors for services in all capacities during the year ended 30 June 2020 was:

Director	Directors' fees	Fixed remuneration and STI	LTI – performance rights	Total
Mr T Kapea	142,500	-	16,318	158,818
Mr P Westerhuis	71,188	-	16,318	87,506
Mr R Tacon	-	735,970	223,035	959,005
Mr R Middleton	-	566,810	152,328	719,138

Fixed remuneration and STI for both Mr Tacon and Mr Middleton are in their capacity as Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") respectively.

Employee remuneration

During the year ended 30 June 2020, 24 employees (excluding the CEO and CFO) received individual remuneration over $100,000.

Range	# of employees
100,001–110,000	3
110,001–120,000	2
120,001–130,000	3
130,001–140,000	1
140,001–150,000	3
150,001–160,000	1
160,001–170,000	1
170,001–180,000	1
180,001–190,000	1
200,001–210,000	2
230,001–240,000	1
260,001–270,000	1
300,001–310,000	1
310,001–320,000	1
370,001–380,000	1
390,001–400,000	1



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02

Financial statements

In this section

Income statement
Statement of comprehensive income
Balance sheet
Statement of changes in equity
Statement of cash flows
Notes to the financial statements
Additional information
Independent auditor's report

Contents

Income statement....43
Statement of comprehensive income....43
Balance sheet....44
Statement of changes in equity....45
Statement of cash flows....46
Notes to the financial statements....47
Additional information....79
Independent auditor's report....82

Authorised for and on behalf of the Board of Directors:



Toko Kapea
Chairman

28 August 2020



Russell Middleton
Executive director

28 August 2020

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Income statement

For the year ended 30 June 2020

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

Statement of comprehensive income

For the year ended 30 June 2020

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

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Balance sheet

As at 30 June 2020

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

For and on behalf of the Board of Directors:

Toko Kapea
Chairman
28 August 2020

Russell Middleton
Executive Director
28 August 2020

Statement of changes in equity

For the year ended 30 June 2020

	Note	Contributed equity $'000	Debt instruments equity component $'000	Share-based payments $'000	Foreign exchange/ hedging $'000	Retained earnings $'000	Reorganisation reserve $'000	Total equity $'000
1 July 2018		**263,179**	**43,788**	**1,072**	**(149)**	**(204,684)**	**(32,760)**	**70,446**
Comprehensive profit		-	-	-	(434)	44,960	-	44,526
Contributions of equity		25,780	(20,964)	-	-	-	-	4,816
Share-based payments		-	-	764	-	-	-	764
Share buy-backs		(4,225)	-	-	-	-	-	(4,225)
Vesting of rights		1,543	-	(1,543)	-	-	-	-
30 June 2019		**286,277**	**22,824**	**293**	**(583)**	**(159,724)**	**(32,760)**	**116,327**
Comprehensive loss		-	-	-	1,531	(47,426)	-	(45,895)
NZ IFRS 16	1	-	-	-	-	315	-	315
Contributions of equity	17	6,486	(5,202)	-	-	-	-	1,284
Share-based payments		-	-	408	-	-	-	408
Vesting of rights		344	-	(344)	-	-	-	-
Dividend	17	-	-	-	-	(5,520)	-	(5,520)
30 June 2020		**293,107**	**17,622**	**357**	**948**	**(212,355)**	**(32,760)**	**66,919**

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Statement of cash flows

For the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		47,361	52,741
Payments to suppliers and employees		(40,231)	(41,944)
Dividend from BT Mining	13	13,000	19,500
Net cash inflow from operating activities	**20**	**20,130**	**30,297**
Cash flows from investing activities			
Exploration and consenting expenditure		(1,189)	(370)
Mining assets (including capitalised waste moved in advance)		(7,030)	(8,307)
Property, plant and equipment purchases		(2,697)	(2,342)
Proceeds from disposal of property, plant and equipment		-	3
Deferred consideration		(950)	(1,161)
Investment in NWP Coal Canada Limited		(6,146)	(10,105)
Other		(178)	22
Net cash outflow from investing activities		**(18,190)**	**(22,260)**
Cash flows from financing activities			
Dividend		(5,520)	-
Interest received		57	130
Other finance costs paid		(383)	-
Interest on leases		(242)	(264)
Repayment of leases		(2,641)	(1,721)
Drawdown on leases		208	-
Interest on debt instruments		(2,395)	(2,138)
Debt instrument principal repayment	15 (b)	(6,371)	-
Share buy-backs		-	(4,225)
Net cash outflow from financing activities		**(17,287)**	**(8,218)**
Net decrease in cash		**(15,347)**	**(181)**
Cash and cash equivalents at the beginning of the year		20,005	20,179
Restricted short-term deposits at the beginning of the year		4,030	4,037
Total cash at the end of the year		**8,688**	**24,035**

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Notes to the financial statements

For the year ended 30 June 2020

1. About our financial statements

General information

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

The financial statements presented as at and for the year ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as the "Group").

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

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

Basis of preparation

These Group financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). The Group is a for-profit entity for the purposes of complying with NZ GAAP. The consolidated financial statements comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS"), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The financial statements also comply with International Financial Reporting Standards ("IFRS").

These financial statements are presented in New Zealand dollars, which is the Company's functional and presentation currency. References in these financial statements to '$' and 'NZ$' are to New Zealand dollars. All financial information has been rounded to the nearest thousand unless otherwise stated.

Material uncertainty related to going concern

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

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

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

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

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

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

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

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Notes to the financial statements

For the year ended 30 June 2020

1. About our financial statements continued

Measurement basis

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

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authorities, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense item as applicable. Receivables and payables in the balance sheet are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. The impact of the new leasing standard (detailed on page 9) has been excluded from the cash flow statement so that transactions relating to capital purchases reflect the real underlying cash value.

Key judgements and estimates

In the process of applying the Group's accounting policies, management have made a number of judgements and applied estimates and assumptions about future events. These are noted below and/or detailed within the following relevant notes to the financial statements:

- Note 8 Impairment
- Note 11 Mining assets
- Note 15 (c) Deferred consideration
- Note 16 Rehabilitation provisions
- Note 17 Equity

Reserves and resources

Reserves and resources are based on information compiled by a Competent Person as defined in accordance with the Australasian Code of Mineral Resources and Ore Reserves of 2012 (the JORC Code). There are numerous uncertainties inherent in estimating reserves and assumptions that are valid at the time of estimation but that may change significantly when new information becomes available. Changes in forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values, provisions for rehabilitation, and deferred consideration.

Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at monthly average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

New accounting standards not yet effective

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

Standards and interpretations adopted during the year

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

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Notes to the financial statements

For the year ended 30 June 2020

1. About our financial statements continued

Standards and interpretations adopted during the year continued

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

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

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

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

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

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

A summary of the financial impacts on the Group at 1 July 2019 from the transitional adjustments including equitable share of the impact in BT Mining, and at 30 June 2020 (BRL Group only) are as follows:

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

2. Segment information

The operating segments reported on are:

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

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

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

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Notes to the financial statements

For the year ended 30 June 2020

2. Segment information continued

Year ended 30 June 2020	Export $'000	Domestic $'000	Corporate $'000	Total $'000	Eliminate BT Mining $'000	Total BRL $'000
Revenue from contracts with customers	175,307	146,479	-	321,786	(274,775)	47,011
Operating (loss)/profit before tax	**44,679**	**41,179**	**(81,505)**	**4,353**	**(66,887)**	**(32,437)[1]**
Net finance costs	(2,034)	(682)	(20,562)	(23,278)	8,289	(14,989)
Income tax expense	-	-	(12,295)	(12,295)	12,295	-
Comprehensive (loss)/income after tax	**40,840**	**39,006**	**(106,758)**	**(26,912)**	**(49,080)**	**(45,895)[1]**
Depreciation & amortisation	19,453	22,830	779	43,062	(35,975)	7,087
EBITDA[2]	65,579	64,519	(15,650)	114,448	(107,638)	6,810
Year ended 30 June 2019						
Revenue from contracts with customers	265,858	152,542	-	418,400	(365,656)	52,744
Operating profit before tax	**78,412**	**47,060**	**(15,340)**	**110,132**	**(107,084)**	**48,348[1]**
Fair value movements	-	-	(3,439)	(3,439)	3,439	-
Net finance costs	(672)	(616)	(4,965)	(6,253)	2,865	(3,388)
Income tax expense	-	-	(31,088)	(31,088)	31,088	-
Comprehensive income after tax	**77,740**	**46,444**	**(55,266)**	**68,918**	**(69,692)**	**44,526[1]**
Depreciation & amortisation	11,827	22,575	301	34,703	(27,794)	6,909
EBITDA	103,647	70,245	(15,352)	158,540	(148,345)	10,195

Accounting policy

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

3. Revenue from contracts with customers

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

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

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

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Notes to the financial statements

For the year ended 30 June 2020

3. Revenue from contracts with customers continued

Accounting policy

Revenue from contracts with customers is recognised at a point in time, when satisfaction of the performance obligation(s) in a signed customer contract is achieved, signifying when control has passed to the customer.

Performance obligations

The Group has one key performance obligation across all customer contracts – that to supply (and deliver where relevant) coal. Because of when control transfers to the customer (on delivery if freight is included as a service, on arrival at the collection point if not), freight forms part of the same performance obligation as the supply of coal. Satisfaction of the performance obligation is assumed at the time of delivery or arrival at the collection point, whichever is relevant. There are no unsatisfied performance obligations.

Determination of the transaction price

The value at which revenue is recorded is the stand alone selling price for the good/service provided. Each contract notes a separate price for coal, and freight delivery/ash disposal where relevant. Some customer contracts allow for limited remediations in the instance of the Company providing non-specification coal (either at the option of the customer or BRL). These instances are very rare and in almost all cases are rectified in the month that the non-specification occurs. As such the best estimate of the final consideration to be received is the invoiced amount as based on the transaction prices in the customer contract.

4. Cost of sales

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

5. Administrative and other expenses

Administrative and other expenses include the following items:

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

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

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Notes to the financial statements

For the year ended 30 June 2020

6. Net finance costs

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

7. Income tax benefit

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

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

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Notes to the financial statements

For the year ended 30 June 2020

7. Income tax benefit continued

Accounting policy

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for New Zealand adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

8. Impairment

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

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

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

Management assessed each CGU for indicators of impairment, or indicators that previously recognised impairment losses may no longer be relevant, where appropriate.

Bathurst domestic coal

It was considered whether there is any operating, regulatory, or market factors that indicate impairment of this CGU. This CGU continues to be profitable and operate as expected. It was concluded that there were no indicators of impairment present at 30 June 2020. The impairment of property, plant and equipment relates to the write-down of an individual land purchase to its expected recoverable value and does not indicate a wider impairment issue on the CGU as a whole.

Buller Coal project

The Buller Coal project was previously fully impaired in the year ended 30 June 2015. The Buller Coal project has remained on care and maintenance and management have no immediate plans to reinstate the project. The CGU remains fully impaired at 30 June 2020.

Cascade mine

The Cascade mine was placed on care and maintenance during the year ended 30 June 2016 and remains on care and maintenance at 30 June 2020.

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Notes to the financial statements

For the year ended 30 June 2020

8. Impairment continued

Accounting policy

For non-financial assets, the recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Exploration and evaluation and mining assets, as well as property, plant and equipment are assessed for impairment collectively as part of their respective cash-generating units.

Non-financial assets that have been previously impaired are reviewed for possible reversal of the impairment at the end of each reporting period.

Key judgements and estimates

The future recoverability of the non-financial assets recorded by the Group is dependent upon a number of factors, including whether the Group decides to exploit its mine property itself or, if not, whether it successfully recovers the related asset through sale.

Factors that could impact future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal and regulatory changes, and changes to commodity prices and foreign exchange rates. These factors impact both an assessment of whether impairment should be recognised, as well as if there are indicators that previously recognised impairment should be reversed.

9. Financial assets

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

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

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

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Notes to the financial statements

For the year ended 30 June 2020

9. Financial assets continued

Accounting policy

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. A financial asset is recognised when the Group becomes party to the contractual provisions of the instrument.

Subsequent measurement

Financial assets under NZ IFRS 9 are subsequently classified to reflect the business model in which assets are managed and their contractual cash flow characteristics, as follows:

- Amortised cost: where the business model is to hold the financial assets in order to collect contractual cash flows and those cash flows represent solely payments of principal and interest.
- Fair value through other comprehensive income: where the business model is to both collect contractual cash flows and sell financial assets and the cash flows represent solely payments of principal and interest.
- Fair value through profit or loss: if the asset is held for trading or if the cash flows of the asset do not solely represent payments of principal and interest.

Financial assets at amortised cost

This is the only relevant financial asset category for the Group. The Group's financial assets subsequently measured at amortised cost consist of:

- Cash and cash equivalents and restricted short-term deposits.
- Trade receivables from contracts with customers and related party receivables (within trade and other receivables).
- Other financial assets.
- Crown indemnity (refer note 16 for further information).

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. For information on credit risk and impairment, refer to note 21. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition

Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers the financial asset to another party without retaining control of the asset.

Cash and cash equivalents and restricted short-term deposits

- Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less. Restricted cash deposits are sureties held backing provisions for rehabilitation.

Crown indemnity receivable

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

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

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Notes to the financial statements

For the year ended 30 June 2020

10. Property, plant and equipment

Year ended 30 June 2020	Freehold land $'000	Buildings $'000	Mine infrastructure $'000	Plant & machinery $'000	Furniture and fittings $'000	Work in progress $'000	Total $'000
Opening net book value	**2,328**	**911**	**139**	**12,787**	**589**	**485**	**17,239**
Additions including NZ IFRS 16	88	701	-	1,360	49	2,221	4,419
Transfers	305	342	-	1,029	114	(1,790)	-
Disposals	-	-	-	(83)	(49)	(102)	(234)
Depreciation including NZ IFRS 16	(12)	(265)	(14)	(3,136)	(191)	-	(3,618)
NZ IFRS 16 transitional adjustment	-	-	-	397	-	-	397
Impairment	-	-	-	-	-	(216)	(216)
Closing net book value	**2,709**	**1,689**	**125**	**12,354**	**512**	**598**	**17,987**
As at 30 June 2020							
Cost	16,178	7,460	2,913	31,917	2,982	12,938	74,388
Accumulated write-downs	(13,469)	(5,771)	(2,788)	(19,563)	(2,470)	(12,340)	(56,401)
Closing net book value	**2,709**	**1,689**	**125**	**12,354**	**512**	**598**	**17,987**
Year ended 30 June 2019							
Opening net book value	**2,328**	**688**	**266**	**13,176**	**435**	**628**	**17,521**
Additions	-	95	-	330	47	1,870	2,342
Transfers	-	345	117	1,333	218	(2,013)	-
Depreciation	-	(217)	(244)	(2,052)	(111)	-	(2,624)
Closing net book value	**2,328**	**911**	**139**	**12,787**	**589**	**485**	**17,239**
As at 30 June 2019							
Cost	15,785	6,417	2,913	29,617	2,868	12,609	70,209
Accumulated write-downs	(13,457)	(5,506)	(2,774)	(16,830)	(2,279)	(12,124)	(52,970)
Closing net book value	**2,328**	**911**	**139**	**12,787**	**589**	**485**	**17,239**

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

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

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Notes to the financial statements

For the year ended 30 June 2020

10. Property, plant and equipment continued

Accounting policy

Leases

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

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

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

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

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

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

Property, plant and equipment

All property, plant and equipment are measured at cost less depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the expenditure will flow to the Group. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is recognised in profit or loss over the estimated useful lives of each item of property, plant and equipment. Leasehold improvements and certain leased plant and equipment are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for significant items of property, plant and equipment are as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Any gain or loss on disposals of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

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Notes to the financial statements

For the year ended 30 June 2020

11. Mining assets

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

Accounting policy

Exploration and evaluation

Exploration and evaluation expenditure incurred is capitalised to the extent that the expenditure is expected to be recovered through the successful development and exploitation of the area of interest, or the exploration and evaluation activities in the area of interest have not yet reached a point where such an assessment can be made. All other exploration and evaluation expenditure is expensed as incurred.

Capitalised costs are accumulated in respect of each identifiable area of interest. Costs are only carried forward to the extent that tenure is current and they are expected to be recouped through the successful development of the area (or, alternatively by its sale) or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and operations in relation to the area are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit in the period in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

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Notes to the financial statements

For the year ended 30 June 2020

11. Mining assets continued

Accounting policy continued

Mining licences/permits and properties

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

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

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

Waste moved in advance

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

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

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

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

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

Key judgements and estimates

Waste moved in advance is calculated with reference to the stripping ratio (waste moved over coal extracted) of the area of interest and the excess of this ratio over the estimated stripping ratio for the area of interest expected to incur over its life. Management estimates this life of mine ratio based on geological and survey models as well as reserve information for the areas of interest.

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Notes to the financial statements

For the year ended 30 June 2020

12. Investment in subsidiaries

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

			Equity holding	
Name of entity	**Country of incorporation**	**Class of shares**	**2020 %**	**2019 %**
BR Coal Pty Limited	Australia	Ordinary	100	100
Bathurst New Zealand Limited	New Zealand	Ordinary	100	100
Bathurst Coal Holdings Limited	New Zealand	Ordinary	100	100
Buller Coal Limited	New Zealand	Ordinary	100	100
Bathurst Coal Limited	New Zealand	Ordinary	100	100
New Brighton Collieries Limited	New Zealand	Ordinary	100	100
Bathurst Resources (Canada) Limited	Canada	Ordinary	100	100

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

Accounting policy

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

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

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

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

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

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Notes to the financial statements

For the year ended 30 June 2020

13. Interest in joint ventures

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

BT Mining

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

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

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

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

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

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

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

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Notes to the financial statements

For the year ended 30 June 2020

13. Interest in joint ventures continued

BT Mining continued

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

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Notes to the financial statements

For the year ended 30 June 2020

13. Interest in joint ventures continued

NWP

Balances held in NWP	2020 $'000	2019 $'000
Equity investment	16,063	10,105
Equitable share of profit	238	-
Total interest in NWP	**16,301**	**10,105**

The investment in NWP is via a wholly owned subsidiary of BRL set up for this purpose (Bathurst Resources (Canada) Limited) which is incorporated in Canada and has a functional currency of CAD. NWP's key asset is the Crown Mountain coking coal project ("Crown Mountain"). The Crown Mountain project consists of coal tenure licences located in the Elk Valley coal field in south eastern British Columbia, Canada.

The joint venture agreement structures BRL's investment in NWP into three tranches. Further investments are at the sole discretion of BRL.

Investment	Amount	Ownership	Use of proceeds	Status
Initial investment	CAD $4.0m	8%	Exploration programme	Complete
Tranche one	CAD $7.5m	12%	Bankable feasibility study	Complete
Tranche two	CAD $110.m	30%	Construction	In progress
Total	**CAD $121.5m**	**50%**	**As above**	

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

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

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

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

NWP summarised financial information - unaudited		
Cash	1,349	1,054
Other current assets	129	286
Exploration and evaluation assets	30,037	23,270
Other non-current assets	1,264	1,270
TOTAL ASSETS	**32,779**	**25,880**
Current liabilities	461	352
Non-current financial liabilities	1,219	1,941
TOTAL LIABILITIES	**1,680**	**2,293**
NET ASSETS	**31,099**	**23,587**

Bathurst Industrial Coal Limited

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

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Notes to the financial statements

For the year ended 30 June 2020

13. Interest in joint ventures continued

Accounting policy

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

14. Deferred tax

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

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

Accounting policy

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

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

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15. Financial liabilities continued

(b) Borrowings continued

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

Convertible notes

Conversion

The convertible notes can be converted into ordinary shares at the election of the holder any time until 10 days before maturity date.

Ranking

The convertible notes rank equally with all other present and future unsecured obligations except for obligations accorded preference by mandatory provisions of applicable law. Any shares issued on conversion will rank equally with all other ordinary shares.

Subordinated bonds

Redemption

The Company is entitled to elect early redemption at any time, with 60 days' notice to bondholders required.

Ranking

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

Covenant breach

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

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

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15. Financial liabilities continued

(c) Deferred consideration continued

Buller Coal project

BRL acquired Buller Coal Limited (formerly L&M Coal Limited) ("Buller Coal") from L&M Coal Holdings Limited ("L&M") in November 2010. The sale and purchase agreement between BRL and L&M dated 10 June 2010 ("SPA"), which primarily concerned the purchase of the Escarpment mine through the acquisition of Buller Coal, contained an element of deferred consideration. The deferred consideration comprised cash consideration and/or royalties on coal sold and the potential issue of performance shares. The deferred cash consideration is made up of two payments of USD $40m ("performance payments"). The first being payable upon 25,000 tonnes of coal being shipped from the Buller Coal project area, the second payable upon 1 million tonnes of coal being shipped from the Buller Coal project area or where a change in control of Bathurst is deemed to have occurred (refer to note 23 (c) for further information).

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

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

Canterbury Coal Limited

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

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

New Brighton Collieries Limited

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

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

Security

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

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Notes to the financial statements

For the year ended 30 June 2020

15. Financial liabilities continued

(d) Fair value measurements

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

	2020		2019	
Instrument	**Fair value $'000**	**Carrying value $'000**	**Fair value $'000**	**Carrying value $'000**
Subordinated bonds	6,470	6,023	12,309	11,790
Convertible notes	6,644	6,375	7,858	7,546

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

Accounting policy

Initial recognition and measurement

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

Subsequent measurement

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

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

Financial liabilities at amortised cost

Trade and other payables and borrowings are subsequently measured at amortised cost using the effective interest rate method ("EIR"). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. Borrowings denominated in foreign currency are re-translated at each reporting period to account for unrealised foreign exchange movements.

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Notes to the financial statements

For the year ended 30 June 2020

15. Financial liabilities continued

Accounting policy continued

Financial liabilities at amortised cost

The fair value of the liability portion of the convertible notes was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The remainder of the proceeds was allocated to the conversion option and recognised in equity as debt instruments equity component, and is not subsequently remeasured. Refer to note 17.

Fair value through profit or loss

Deferred consideration is subsequently measured at fair value through profit or loss, as IFRS 9 denotes the measurement requirements of IFRS 3 *Business combinations* applies. The fair value of deferred consideration payments is determined at acquisition date. Subsequent changes to the fair value of the deferred consideration are recognised through the income statement. The portion of the fair value adjustment due to the time value of money (unwinding of discount) is recognised as a finance cost.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Fair value

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability in a transaction between active market participants or in its absence, the most advantageous market to which the Group has access to at the reporting date. The fair value of a financial liability reflects its non-performance risk.

When available, fair value is measured using the quoted price in an active market. A market is active if transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The following fair value hierarchy, as set out in NZ IFRS 13: *Fair Value Measurement*, has been used to categorise the inputs to valuation techniques used to measure the financial assets and financial liabilities which are carried at fair value:

a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Group's only financial asset or liability measured at fair value is deferred consideration which is valued at a fair value hierarchy of level 3. The fair value of debt instruments disclosed has been valued at a fair value hierarchy of level 2.

Key judgements and estimates

In valuing the deferred consideration payable under business acquisitions management uses estimates and assumptions. These include future coal prices, discount rates, coal production, and the timing of payments. The amounts of deferred consideration are reviewed at each balance date and updated based on best available estimates and assumptions at that time.

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Notes to the financial statements

For the year ended 30 June 2020

16. Rehabilitation provisions

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

Accounting policy

Provisions are made for site rehabilitation costs relating to areas disturbed during the mine's operation up to reporting date but not yet rehabilitated.

The obligation to rehabilitate arises at the commencement of the mining project; at this point a provision is recognised as a liability with a corresponding asset recognised as part of mining property and development assets. At each reporting date, the rehabilitation liability is re-measured in line with changes in the timing or amount of the costs to be incurred with a corresponding change in the cost of the associated asset.

If the change in the liability results in a decrease in the liability that exceeds the carrying amount of the asset, the asset is written down to nil and the excess is recognised immediately in the income statement. If the change in the liability results in an addition to the cost of the asset, the recoverability of the new carrying value is considered. Where there is an indication that the new carrying amount is not fully recoverable, an impairment test is performed with the write down recognised in the income statement in the period in which it occurs.

The amount of the provision relating to rehabilitation of environmental disturbance caused by on-going production and extraction activities is recognised in the income statement as incurred.

The net present value of the provision is calculated using an appropriate discount rate, based on management's best estimate of future costs of rehabilitation. The unwinding of the discount applied in calculating the net present value of the provision is charged to the income statement in each reporting period and is classified as a finance cost.

A reasonable change in discount rate assumptions would not have a material impact on the provision.

Key judgements and estimates

In calculating the estimated future costs of rehabilitating and restoring areas disturbed in the mining process certain estimates and assumptions have been made. The amount the Group is expected to incur to settle these future obligations includes estimates in relation to the appropriate discount rate to apply to the cash flow profile, expected mine life, application of the relevant requirements for rehabilitation, and the future expected costs of rehabilitation.

Changes in the estimates and assumptions used could have a material impact on the carrying value of the rehabilitation provision. The provision is reviewed at each reporting date and updated based on the best available estimates and assumptions at that time.

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Notes to the financial statements

For the year ended 30 June 2020

17. Equity

(a) Ordinary fully paid shares	Note	2020 Number of shares '000	2019 Number of shares '000
Opening balance		**1,665,177**	**1,513,164**
Issue of shares from conversion of convertible notes		41,788	167,198
Issue of shares from vesting of performance rights	18	2,555	16,131
Cancellation of shares from buy-backs		-	(31,316)
Closing balance		**1,709,520**	**1,665,177**

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. Every ordinary share is entitled to one vote.

Dividends

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

Convertible notes conversions

During the year, 626 of the July 2016 issue of convertible notes were converted to shares on the maturity of the notes at the option of the note holder, at $1,150 per note and 2.53¢ per share (June 2019: 2,857 notes). 500 of the February 2017 convertible notes issue (face value $0.6m) were converted to shares at the election of the note holder, at $1,150 per note and 4.3125¢ per share (June 2019: 1,400 notes).

(b) Contributed equity	$'000	$'000
Opening balance	**286,277**	**263,179**
Issue of shares from conversion of convertible notes	6,486	25,780
Issue of shares from vesting of performance rights	344	1,543
Share buy-backs	-	(4,225)
Closing balance	**293,107**	**286,277**

The value transferred to equity on conversion of the convertible notes was the proportional value of the amortised cost of the underlying borrowings and the fair value of the conversion option (debt instruments equity component).

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

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Notes to the financial statements

For the year ended 30 June 2020

17. Equity continued

Accounting policy

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Key judgements and estimates

The Group has made a judgement that the conversion feature of the convertible notes should be classified as equity. This judgement was made on the basis that the conversion feature satisfies the equity classification test of converting a fixed amount of debt principal to a fixed quantity of the Group's own shares (the 'fixed for fixed' test). Because of this classification the value attributed to the conversion feature is not subsequently remeasured after initial recognition through profit or loss.

The value recognised was independently determined using a Black Scholes Model for the convertible notes that takes into account the exercise price, the term of the conversion option, the current share price and expected price volatility of the underlying share, the expected dividend yield, and the risk free interest rate for the term of the conversion option.

18. Reserves

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

Nature and purpose of reserves

Share-based payment reserve

The share-based payment reserve is used to recognise the fair value of performance rights issued. Some performance rights vested during the year with shares issued; the value pertaining to these performance rights were transferred to contributed equity.

Foreign exchange translation reserve

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

Share of BT Mining FX hedging through OCI

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

Reorganisation reserve

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

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Notes to the financial statements

For the year ended 30 June 2020

18. Reserves continued

Details on share-based payments

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

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

Director performance rights

Director performance rights were issued to directors in recognition of past performance of the Company, in particular a 67 percent increase in the Company's share price in FY18. These were approved by shareholders at the 2018 AGM.

These have a nil issue and exercise price and were converted into fully paid ordinary shares on a 1:1 basis. Vesting was dependent on the holders remaining in employment until the vesting date.

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

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

These have a nil issue and exercise price and are convertible into fully paid ordinary shares on a 1:1 basis. Performance requirements include continuous employment with BRL until 15 October 2021 for the 2018 issue, 15 October 2022 for the 2019 issue. The Company also has to achieve a total shareholder return compound annual growth rate for the period 1 July 2018 to and including 30 June 2021 of between 10 percent to 15 percent for the 2018 issue; 1 July 2019 to and including 30 June 2022 for the 2019 issue.

Accounting policy

Share-based compensation benefits are provided to employees via the Bathurst Resources Limited LTIP.

The fair value of performance rights granted under the Bathurst Resources Limited LTIP is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Company revises its estimates of the number of rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

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Notes to the financial statements

For the year ended 30 June 2020

19. Earnings per share

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

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

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

At 30 June 2020, basic and diluted EPS were the same as potential ordinary shares from the convertible notes and performance rights were anti-dilutive.

Accounting policy

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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Notes to the financial statements

For the year ended 30 June 2020

20. Reconciliation of profit to operating cash flows

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

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Notes to the financial statements

For the year ended 30 June 2020

21. Financial risk management

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

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

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

Market risk

Foreign exchange risk

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

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

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

Credit risk

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

Risk management

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

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

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

Impairment

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

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

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

The assessed impairment loss for all financial assets was immaterial at 30 June 2020. There were no indicators that credit risk on financial assets had increased significantly since initial recognition, nor does the Group hold any financial assets that are considered to be credit-impaired.

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Notes to the financial statements

For the year ended 30 June 2020

21. Financial risk management continued

Liquidity risk

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

Maturities of financial liabilities

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

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

30 June 2019						
Trade and other payables	7,079	-	-	-	-	7,079
Borrowings	854	12,561	6,745	-	-	20,160
Leases	1,332	1,077	1,207	943	-	4,559
Deferred consideration	503	503	952	3,026	4,282	9,266
Total	**9,768**	**14,141**	**8,904**	**3,969**	**4,282**	**41,064**

Borrowings in the above table represent the underlying contractual commitments on the USD denominated Subordinated Bonds and NZD convertible notes. The convertible notes have the option to convert to equity, so future principal repayments may not occur.

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

Total contractual cash flows on leases equal minimum lease payments plus interest.

Capital management

The Group's capital includes contributed equity, reserves, and retained earnings. The Board's policy is to maintain a strong capital base to maintain investor, creditor, and market confidence and to sustain the future development of the business. There were no changes to the Company's approach to capital management during the year.

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Notes to the financial statements

For the year ended 30 June 2020

21. Financial risk management continued

Financial instruments by category

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

22. Key management personnel compensation

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

Key management personnel compensation

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

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Notes to the financial statements

For the year ended 30 June 2020

23. Commitments and contingent liabilities

(a) Capital commitments

There was no capital expenditure contracted for at the reporting date but not recognised as a liability (2019: nil).

(b) Exploration expenditure commitments

To maintain the various permits in which the Group is involved the Group has ongoing operational expenditure as part of its normal operations. The actual costs will be dependent on a number of factors including final scope and timing of operations.

(c) Contingent liabilities

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

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

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

24. Events after the reporting period

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

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Additional information

For the year ended 30 June 2020

Unaudited proportionate consolidation of Bathurst and BT Mining operations

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

Consolidated income statement

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

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Additional information

For the year ended 30 June 2020

Consolidated balance sheet

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

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Additional information

For the year ended 30 June 2020

Consolidated cash flow

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

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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 43 to 78:

i. present fairly in all material respects the consolidated financial position as at 30 June 2020 and its financial performance and cash flows for the year ended on that date; and

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

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 June 2020;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

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

Material uncertainty related to going concern

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

Emphasis of matter – contingent liabilities

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

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

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $1,800,000 determined with reference to a benchmark of consolidated profit before tax. We chose the benchmark because, in our view, this is a key measure of the consolidated performance.

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Independent auditor's report

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. Except for the matter described in the material uncertainty related to going concern, we summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion.

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

COVID-19

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

The key audit matter	*How the matter was addressed in our audit*

The recognition of a provision for the performance payment due to L&M Coal Holdings Limited

Refer to note 15(c) of the financial statements which discloses the provision of $73 million recognised in respect to the performance payment due to L&M Coal Holdings Limited as a result of the unfavourable judgments received in relation to legal proceedings in the High Court and Court of Appeal of New Zealand.

Our focus has been on ensuring that the provision has been calculated in accordance with the terms of the payment of the High Court reflecting the current best estimate and the terms of the payment are disclosed within the financial statements.

This was an area of audit focus due to the significance of the provision to the financial statements as a whole.

Our audit procedures included:

- Reading the Court of Appeal decision and understanding the terms of the payment set out in the decision.
- Reviewing the recent legal advice supporting the decision to appeal the Court of Appeal decision to the Supreme Court.
- Obtaining a copy of the Notice of Hearing granted to the Company by the Supreme Court.
- Recalculating the provision based on the terms of the High Court decision to ensure that the provision recognised included the performance payment, accrued interest based on the rate set by the High Court and was translated into New Zealand dollars at the US dollar exchange rate at balance date.

We reviewed the disclosures in note 15(c) of the financial statements to ensure they are consistent with the terms set out by the Court of Appeal.

Revenue recognition

Refer to note 3 of the financial statements.

Our focus has been on ensuring that the treatment of each product offered under the agreements with customers are appropriately accounted for and disclosed within the financial statements.

The other area of focus was on the treatment of revenue across a range of customers as each customer has an individual contract.

This was an area of audit focus as revenue recognition requires judgement as does the process to conclude on the treatment of each contract.

Our audit procedures included:

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

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Independent auditor's report

Other information

The directors, on behalf of the Company and Group, are responsible for the other information included in the Company's annual report. Other information included in annual report includes the Chairman and CEO's report, and the operational and financial review. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The annual report is expected to be made available to us after the date of this independent auditor's report. Our responsibility is to read the annual report when it becomes available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the directors.

Use of this independent auditor's report

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

Responsiblities of the directors for the consolidated financial statements

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

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

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

Our objective is:

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

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

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

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

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

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

For and on behalf of

KPMG

KPMG
Wellington

28 August 2020



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03

Shareholder information

In this section

Shareholder information

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Shareholder information

Additional information required by the Australian Securities Exchange current as at 30 September 2020.

Stock exchange quotation

Shares are quoted on the ASX under the code "BRL".

Classes of securities

The following equity securities are on issue:

	Financial statement note reference	Number on issue	Number of holders
Quoted			
Ordinary fully paid shares		1,709,519,431	2,934
Unquoted			
Convertible notes	15 (b)	5,600	8
LTIP performance rights 2018	18	4,590,909	2
LTIP performance rights 2019	18	4,839,734	2
SLT performance rights exercisable at $nil, vesting 15 October 2022		4,603,268	7

Voting rights

Only holders of ordinary shares have voting rights. These are set out in Clause 21.5 of the Company's constitution and are summarised as follows:

- Where voting is by show of hands or by voice, every shareholder present in person of by proxy or representative has one vote.
- On a poll every shareholder present in person or by representative has, in respect of each fully paid share held by that shareholder, one vote.

Holders of convertible notes and performance rights have no voting rights until the instruments are converted/exercised into ordinary shares.

Restricted securities

There are no restricted securities or securities subject to voluntary escrow.

On-market share buy-backs

The on-market share buy-back was announced on 28 August 2018, approving the buy-back of up to 75.0 million shares, representing approximately 4.70 percent of the shares on issue at that date. The buy-back ended on 28 August 2020.

No shares were bought under the scheme during the year ended 30 June 2020 and up to the 28 August 2020. A total of 30.5 million shares were bought back during the previous financial year.

Distribution of quoted equity securities

Holding range	Number shareholders	Number ordinary shares	Percentage of ordinary shares
1 – 1,000	183	15,908	0.0%
1,001 – 5,000	268	1,138,690	0.1%
5,001 – 10,000	561	4,748,033	0.3%
10,001 – 100,000	1,455	56,454,625	3.3%
100,001 and over	467	1,647,162,175	96.3%
Total	2,934	1,709,519,431	100%

There were 1,138 shareholders holding less than a marketable parcel of ordinary shares as determined by the ASX (parcels valued at less than AUD $500) based on the closing price of AU 3.9¢ per share.

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Shareholder information

Substantial holders

BRL's record of substantial shareholdings (5 percent or more) based on notices from shareholders:

	Number of shares held	Percentage of issued shares
Republic Investment Management Pte Limited ("RIM")	394,701,816	23.1
Talley's Group Limited	206,593,060	12.1
Crocodile Capital	122,370,827	7.2
Chng Seng Chye	111,330,160	6.5

Approval was given by shareholders at the November 2018 AGM with specific respect to the Takeovers Code (New Zealand) for RIM to hold more than 20 percent of BRL's shares, as a result of an on-market share buy-back and the conversion of convertible notes held by RIM.

Corporate governance statement

The corporate governance statement is available on BRL's website at **www.bathurst.co.nz**.

Top 20 shareholders

Based on the shareholder register.

#	Holding range	Number of shares held	Percentage of issued shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	471,292,398	27.57
2	CITICORP NOMINEES PTY LIMITED	308,168,425	18.03
3	JP MORGAN NOMINEES AUSTRALIA LIMITED	136,124,644	7.96
4	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	95,078,750	5.56
5	CHNG SENG CHYE	91,878,788	5.37
6	TEO PENG KWANG	38,932,124	2.28
7	SAN TIONG NG	28,297,965	1.66
8	AFE INVESTMENTS PTY LIMITED	27,888,773	1.63
9	ANG POON LIAT	22,002,727	1.29
10	JOHN MCCALLUM	21,271,444	1.24
11	KARAMJIT SINGH NARULA	18,181,818	1.06
12	RICHARD TACON	16,003,027	0.94
13	BNP PARIBAS NOMS PTY LTD <DRP>	15,421,134	0.90
14	ARMADA TRADING PTY LTD	15,114,272	0.88
15	NATIONAL NOMINEES LIMITED	13,004,900	0.76
16	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	11,363,636	0.66
17	CHOW SHOOK LIN	9,090,909	0.53
18	INVIA CUSTODIAN PTY LIMITED <HARGREAVES S/FUND A/C>	8,045,454	0.47
19	TREADSTONE RESOUCE PARTNERS PTY LTD	7,272,727	0.43
20	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	7,187,370	0.42
Total top 20 shareholders		1,361,621,285	79.65
Total remaining shareholders		347,898,146	20.35

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04

Resources and reserves

In this section

Tenement schedule
Coal resources and reserves

Tenement schedule

At 30 June 2020

Permit ID	Location (region)	Minerals	Permit type	Permit operator	Bathurst interest
60422	Waikato	Coal	Mining permit	BT Mining Limited	65%
60321	West Coast	Minerals	Exploration permit	Bathurst Coal Limited	100%
56233	West Coast	Coal	Mining permit	Buller Coal Limited	100%
56220	Waikato	Coal	Exploration permit	BT Mining Limited	65%
54846	Canterbury	Coal	Exploration permit	Bathurst Coal Limited	100%
53614	Southland	Coal	Mining permit	Bathurst Coal Limited	100%
52937	West Coast	Coal	Mining permit	BT Mining Limited	65%
51279	West Coast	Coal	Mining permit	Buller Coal Limited	100%
41821	Waikato	Coal	Mining permit	BT Mining Limited	65%
41810	West Coast	Coal	Mining permit	BT Mining Limited	65%
41515	West Coast	Coal	Mining permit	BT Mining Limited	65%
41456	West Coast	Coal	Mining permit	Buller Coal Limited	100%
41455	West Coast	Coal	Mining permit	Bathurst Coal Limited	100%
41372	Canterbury	Coal	Mining permit	Bathurst Coal Limited	100%
41332	West Coast	Coal	Mining permit	Buller Coal Limited	100%
41274	West Coast	Coal	Mining permit	Buller Coal Limited	100%
40698	Waikato	Coal	Exploration permit	BT Mining Limited	65%
40628	West Coast	Coal	Exploration permit	Buller Coal Limited	100%
40625	Southland	Coal	Exploration permit	New Brighton Collieries Limited	100%
40591	West Coast	Coal	Exploration permit	Bathurst Coal Limited	100%
37161	West Coast	Coal	Coal mining licence	Bathurst Coal Limited	100%
3716101	West Coast	Coal	Ancillary coal mining licence	Bathurst Coal Limited	100%
3716102	West Coast	Coal	Ancillary coal mining licence	Bathurst Coal Limited	100%
3716103	West Coast	Coal	Ancillary coal mining licence	Bathurst Coal Limited	100%
3716104	West Coast	Coal	Ancillary coal mining licence	Bathurst Coal Limited	100%
37155	Waikato	Coal	Coal mining licence	BT Mining Limited	65%
3715501	Waikato	Coal	Ancillary coal mining licence	BT Mining Limited	65%
37153	Waikato	Coal	Coal mining licence	BT Mining Limited	65%
3715301	Waikato	Coal	Ancillary coal mining licence	BT Mining Limited	65%
37150	West Coast	Coal	Coal mining licence	BT Mining Limited	65%
3715002	West Coast	Coal	Ancillary coal mining licence	BT Mining Limited	65%
3715003	West Coast	Coal	Ancillary coal mining licence	BT Mining Limited	65%

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Tenement schedule

Resource permitting changes 1 July 2019 to 30 June 2020

Permit applications in past 12 months

Permit ID	Permit type	Operator	Location (region)	Applied date	Permit name	Bathurst interest
60642	Exploration permit	Bathurst Coal Limited	Southland	25/5/2020	Ohai	100%

Permit applications for extension of duration granted in past 12 months

Permit ID	Permit type	Operator	Location (region)	Granted date	Permit name	Bathurst interest
53614	Mining permit	Bathurst Coal Limited	Southland	30/6/2020	Coaldale	100%
56220	Exploration permit	BT Mining Limited	Waikato	27/4/2020	Awaroa West	65%

Permits granted in past 12 months

None.

Full surrender

Permit ID	Permit type	Operator	Location (region)	Surrender date	Permit name	Bathurst interest
60146	Exploration permit	BT Mining Limited	Waikato	5/6/2020	Huhu	65%
60194	Exploration permit	Bathurst Coal Limited	Canterbury	21/5/2020	Waihao Forks	100%

Expired

Permit ID	Permit type	Operator	Location (region)	Expiration date	Permit name	Bathurst interest
51260	Exploration permit	Bathurst Coal Limited	Southland	14/4/2020	Ohai	100%

Coal resources

Table 1 – Resource tonnes (rounded to the nearest million tonnes)

Area	Bathurst ownership	2020 Measured resource	2019 Measured resource	Change	2020 Indicated resource	2018 Indicated resource	Change	2020 Inferred resource	2019 Inferred resource	Change	2020 Total resource	2018 Total resource	Change
Escarpment [1]	100%	3.4	3.4	0.0	2.2	2.2	0.0	1.1	1.1	0.0	6.7	6.7	0.0
Cascade [1]	100%	0.5	0.5	0.0	0.6	0.6	0.0	0.3	0.3	0.0	1.4	1.4	0.0
Deep Creek [1 & 3]	100%	6.2	6.2	0.0	3.1	3.1	0.0	1.6	1.6	0.0	10.9	10.9	0.0
Coalbrookdale [1]	100%	0.0	0.0	0.0	3.4	3.4	0.0	4.7	4.7	0.0	8.1	8.1	0.0
Whareatea West [1]	100%	7.9	7.9	0.0	11.2	11.2	0.0	4.8	4.8	0.0	23.9	23.9	0.0
Sullivan [1]	100%	2.7	2.7	0.0	5.1	5.1	0.0	4.1	4.1	0.0	11.9	11.9	0.0
South Buller totals	**100%**	**20.7**	**20.7**	**0.0**	**25.6**	**25.6**	**0.0**	**16.6**	**16.6**	**0.0**	**62.9**	**62.9**	**0.0**
Stockton [2, 4, 5, 6 & 7]	65%	0.7	1.0	(0.3)	10.2	9.7	0.5	5.9	7.3	(1.4)	16.8	18.0	(1.2)
Upper Waimangaroa (Met) [2, 5, 7, 8 & 10]	65%	0.7	0.8	(0.1)	13.3	12.9	0.4	32.6	32.8	(0.2)	46.6	46.5	0.1
Upper Waimangaroa (Thermal) [2, 5, 7, 8,10]	65%	0.0	0.1	(0.1)	0.6	1.2	(0.6)	0.9	1.3	(0.4)	1.5	2.6	(1.1)
Stockton totals	**65%**	**1.4**	**1.9**	**(0.5)**	**24.1**	**23.8**	**0.3**	**39.4**	**41.4**	**(2.0)**	**64.9**	**67.1**	**(2.2)**
Millerton North [1 & 3]	100%	0.0	0.0	0.0	1.9	1.9	0.0	3.6	3.6	0.0	5.5	5.5	0.0
North Buller Totals [1 & 3]	100%	2.4	2.4	0.0	7.3	7.3	0.0	10.9	10.9	0.0	20.6	20.6	0.0
Blackburn [1 & 3]	100%	0.0	0.0	0.0	5.8	5.8	0.0	14.1	14.1	0.0	19.9	19.9	0.0
North Buller totals	**100%**	**2.4**	**2.4**	**0.0**	**15.0**	**15.0**	**0.0**	**28.6**	**28.6**	**0.0**	**46.0**	**46.0**	**0.0**
Buller Coal Project totals		**24.5**	**25.0**	**(0.5)**	**64.7**	**64.4**	**0.3**	**84.6**	**86.6**	**(2.0)**	**173.8**	**176.0**	**(2.2)**
Takitimu [1 & 8]	100%	0.3	0.3	0.0	1.9	2.1	(0.2)	0.0	0.3	(0.3)	2.2	2.7	(0.5)
New Brighton [1]	100%	0.2	0.2	0.0	0.2	0.2	0.0	0.2	0.2	0.0	0.6	0.6	0.0
Albury [1]	100%	0.0	0.0	0.0	0.7	0.7	0.0	0.1	0.1	0.0	0.8	0.8	0.0
Canterbury Coal [1 & 4)]	100%	0.9	1.0	(0.1)	1.3	1.3	0.0	1.0	1.0	0.0	3.2	3.3	(0.1)
Southland/Canterbury totals	**100%**	**1.4**	**1.5**	**(0.1)**	**4.1**	**4.3**	**(0.2)**	**1.3**	**1.6**	**(0.3)**	**6.8**	**7.4**	**(0.6)**
Rotowaro [2, 4, 5, 9 & 11]	65%	0.6	0.6	0.0	2.3	1.8	0.5	0.6	0.4	0.2	3.5	2.8	0.7
Rotowaro North [9]	65%	0.5	0.5	0.0	3.8	3.8	0.0	0.1	0.1	0.0	4.4	4.4	0.0
Maramarua [4, 5, & 9]	65%	2.3	2.4	(0.1)	0.1	0.2	(0.1)	0.1	0.0	0.1	2.5	2.6	(0.1)
North Island totals [5]	**65%**	**3.4**	**3.5**	**(0.1)**	**6.2**	**5.8**	**0.4**	**0.8**	**0.5**	**0.3**	**10.4**	**9.8**	**0.6**
Total		**29.3**	**30.0**	**(0.7)**	**75.0**	**74.5**	**0.5**	**86.7**	**88.7**	**(2.0)**	**191.0**	**193.2**	**(2.2)**

Note

All resources and reserves quoted in this release are reported in terms as defined in the 2004 and 2012 Editions of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia ("JORC").

The measured and indicated mineral resources are inclusive of those mineral reserves modified to produce the ore reserves. Rounding of tonnes as required by reporting guidelines may result in summation differences between tonnes and coal quality. All resources quoted are reported as of 30 June 2020.

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Coal resources

Table 1 – Resource tonnes (rounded to the nearest million tonnes) continued

Note

1 Resource tonnages have been calculated using a density value calculated using approximated in-ground moisture values (Preston and Sanders method) and as such tonnages quoted in this report are wet tonnes (unless stipulated otherwise). All coal qualities quoted are on an air-dried basis.
2 Stockton and Upper Waimangaroa density values are based on air-dried ash density regressions. Stockton, Upper Waimangaroa, Rotowaro and Maramarua are reported on an air-dried basis.
3 No additional work has been undertaken on the coal resources for Deep Creek, Millerton North and Blackburn since originally reported. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.
4 Resources were depleted by mining.
5 Stockton, Upper Waimangaroa, Rotowaro, Rotowaro North and Maramarua are owned by BT Mining Limited (65 percent Bathurst Resources Limited / 35 percent Talleys Energy Limited).
6 Addition of A18 Fines Stockpile on successful completion of pre-feasibility study.
7 Update to geological model combined with a review of potential economic recovery.
8 Mining depletion and resources sterilised by back fill against previously mined highwalls.
9 Density is based on a fixed 1.3 tonnes per cubic metre.
10 Re-allocation of coal into export blends following review of updated mine plan.
11 Mining depletion offset by significant update to geological model.

Table 2 – Average coal quality - measured

Area	Bathurst ownership	Measured resource (Mt)	Ash % (AD)	Sulphur % (AD)	Volatile matter % (AD)	Fixed carbon % (AD)	CSN	Inherent moisture	In situ moisture	Calorific value (AD)
Escarpment	100%	3.4	16.8	0.7	33.0	49.3	7.0	1.0	5.6	28.6
Cascade	100%	0.5	15.5	1.7	39.3	42.6	4.5	2.6	7.6	30.8
Deep Creek	100%	6.2	11.0	2.5	32.9	53.9	-	2.2	5.2	29.7
Coalbrookdale	100%	0.0	-	-	-	-	-	-	-	-
Whareatea West	100%	7.9	24.9	0.8	24.0	50.5	7.0	0.6	6.3	26.5
Sullivan	100%	2.7	13.8	1.1	32.1	52.9	7.0	1.2	6.6	29.7
Stockton	65%	0.7	8.3	2.6	31.1	59.5	7.5	1.1	-	32.4
Upper Waimangaroa (Met)	65%	0.7	3.7	0.8	38.0	53.9	4.4	4.4	-	31.5
Upper Waimangaroa (Thermal)	65%	0.0	-	-	-	-	-	-	-	-
Millerton North	100%	0.0	-	-	-	-	-	-	-	-
North Buller	100%	2.4	8.6	4.7	43.1	45.4	4.5	2.9	11.4	29.7
Blackburn	100%	0.0	-	-	-	-	-	-	-	-
Takitimu	100%	0.3	13.5	0.3	35.9	35.6	N/A	15.0	24.6	20.5
New Brighton	100%	0.2	10.3	0.4	35.0	41.2	N/A	13.5	20.6	22.6
Albury	100%	0.0	-	-	-	-	-	-	-	-
Canterbury Coal	100%	0.9	9.6	0.9	35.0	37.1	N/A	18.3	26.7	21.1
Rotowaro	65%	0.6	5.9	0.3	38.0	43.5	N/A	12.6	-	24.2
Rotowaro North	65%	0.5	7.2	0.3	36.2	43.5	N/A	13.1	-	23.9
Maramarua	65%	2.3	5.9	0.2	37.5	38.8	N/A	17.8	-	22.3

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Coal resources

Table 3 – Average coal quality - indicated

Area	Bathurst ownership	Indicated resource (Mt)	Ash % (AD)	Sulphur % (AD)	Volatile matter % (AD)	Fixed carbon % (AD)	CSN	Inherent moisture	In situ moisture	Calorific value (AD)
Escarpment	100%	2.2	12.6	1.2	34.9	51.3	7.5	1.2	5.5	30.0
Cascade	100%	0.6	14.8	1.8	38.3	44.5	4.0	2.4	8.0	29.3
Deep Creek	100%	3.1	9.7	2.7	34.7	53.6	-	2.0	4.8	30.3
Coalbrookdale	100%	3.4	12.0	1.8	35.9	50.4	5.0	1.7	5.6	29.8
Whareatea West	100%	11.2	28.5	1.1	22.3	48.5	6.0	0.7	6.3	25.0
Sullivan	100%	5.1	15.3	1.2	30.6	52.9	7.0	1.2	6.6	29.3
Stockton	65%	10.2	7.9	2.4	35.6	54.2	6.9	2.3	-	31.9
Upper Waimangaroa (Met)	65%	13.3	4.6	2.0	38.9	53.1	5.1	3.5	-	30.6
Upper Waimangaroa (Thermal)	65%	0.6	6.5	3.9	37.3	52.1	0.0	4.1	-	27.7
Millerton North	100%	1.9	9.7	4.9	36.9	52.4	10.0	1.0	6.1	31.1
North Buller	100%	7.3	8.8	5.1	42.6	46.3	5.0	2.3	9.4	30.0
Blackburn	100%	5.8	3.9	4.3	42.1	51.8	6.0	2.2	10.1	30.4
Takitimu	100%	1.9	11.0	0.3	35.7	38.1	N/A	15.2	25.1	20.9
New Brighton	100%	0.2	10.6	0.4	35.0	39.7	N/A	14.7	21.3	22.4
Albury	100%	0.7	7.2	1.0	30.9	24.5	N/A	37.4	41.2	15.6
Canterbury Coal	100%	1.3	9.4	0.9	35.1	37.4	N/A	18.1	26.7	21.2
Rotowaro	65%	2.3	5.1	0.3	38.0	44.0	N/A	12.9	-	24.1
Rotowaro North	65%	3.8	6.4	0.2	35.9	45.5	N/A	12.2	-	24.3
Maramarua	65%	0.1	9.7	0.2	36.4	38.3	N/A	15.6	-	22.1

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Coal resources

Table 4 – Average coal quality - inferred

Area	Bathurst ownership	Inferred resource (Mt)	Ash % (AD)	Sulphur % (AD)	Volatile matter % (AD)	Fixed carbon % (AD)	CSN	Inherent moisture	In situ moisture	Calorific value (AD)
Escarpment	100%	1.1	12.5	1.6	35.2	51.0	7.0	1.3	5.4	29.9
Cascade	100%	0.3	16.5	2.2	36.7	44.7	4.0	2.1	6.7	27.6
Deep Creek	100%	1.6	10.1	2.4	29.7	57.8	-	2.4	7.1	29.7
Coalbrookdale	100%	4.7	12.7	1.8	35.7	49.8	5.0	1.8	5.7	29.5
Whareatea West	100%	4.8	29.5	0.9	22.0	47.8	6.0	0.7	6.4	24.5
Sullivan	100%	4.1	16.0	1.1	30.5	52.3	6.5	1.2	6.5	29.1
Stockton	65%	5.9	5.5	3.2	35.0	58.3	7.8	1.2	-	33.4
Upper Waimangaroa (Met)	65%	32.6	5.8	2.1	38.7	51.9	4.6	3.6	-	30.4
Upper Waimangaroa (Thermal)	65%	0.9	4.1	1.6	34.7	54.7	2.3	6.6	-	27.8
Millerton North	100%	3.6	12.0	5.5	35.3	51.6	9.0	1.1	7.2	30.2
North Buller	100%	10.9	9.9	5.1	45.6	42.3	5.0	2.2	9.6	29.5
Blackburn	100%	14.1	6.4	4.8	41.8	49.5	6.0	2.3	11.2	30.1
Takitimu	100%	0.0	14.7	0.4	37.3	33.7	N/A	14.3	25.7	20.8
New Brighton	100%	0.2	10.7	0.4	34.5	40.3	N/A	14.5	21.2	22.4
Albury	100%	0.1	7.3	0.8	30.2	23.4	N/A	39.1	43.1	15.6
Canterbury Coal	100%	1.0	9.9	1.0	35.1	37.3	N/A	17.7	26.5	21.2
Rotowaro	65%	0.6	4.9	0.3	38.1	43.7	N/A	13.3	-	24.0
Rotowaro North	65%	0.1	6.0	0.2	35.8	46.5	N/A	11.7	-	24.5
Maramarua	65%	0.1	5.0	0.3	37.7	41.1	N/A	16.2	-	22.9

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Coal reserves

Table 5 – Coal reserves (ROM) tonnes

		Proved (Mt)			Probable (Mt)			Total (Mt)		
ROM coal area	**Bathurst ownership**	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Escarpment Domestic [A & E]	100%	0.2	0.2	0.0	0.1	0.1	0.0	0.3	0.3	0.0
Escarpment Export [A & E]	100%	2.3	2.3	0.0	0.5	0.5	0.0	2.8	2.8	0.0
Whareatea West [A & E]	100%	0.0	0.0	0.0	15.8	15.8	0.0	15.8	15.8	0.0
Stockton [B, D, J & L]	65%	0.6	0.7	(0.1)	7.1	5.9	1.2	7.7	6.6	1.1
Upper Waimangaroa (Met) [B, D & K]	65%	0.6	0.8	(0.2)	2.0	2.5	(0.5)	2.6	3.3	(0.7)
Takitimu [A, E, & F]	100%	0.0	0.1	(0.1)	1.2	1.2	0.0	1.2	1.3	(0.1)
Canterbury Coal [A, E, & G]	100%	0.5	0.6	(0.1)	0.6	0.7	(0.1)	1.1	1.3	(0.2)
Rotowaro [B, D & F]	65%	0.4	0.5	(0.1)	1.2	1.4	(0.2)	1.6	1.9	(0.3)
Maramarua [B, D & K]	65%	1.8	2.4	(0.6)	0.1	0.1	0.0	1.9	2.5	(0.6)
Total		**6.4**	**7.6**	**(1.2)**	**28.6**	**28.2**	**0.4**	**35.0**	**35.8**	**(0.8)**

Table 6 – Marketable coal reserves tonnes

		Proved (Mt)			Probable (Mt)			Total (Mt)		
Product coal area	**Bathurst ownership**	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Escarpment Domestic [A, E & H]	100%	0.2	0.2	0.0	0.1	0.1	0.0	0.3	0.3	0.0
Escarpment Export [A, E & H]	100%	1.9	1.9	0.0	0.4	0.4	0.0	2.3	2.3	0.0
Whareatea West [A, E & H]	100%	0.0	0.0	0.0	9.9	9.9	0.0	9.9	9.9	0.0
Stockton [B, D, J & L]	65%	0.4	0.6	(0.2)	5.0	4.6	0.4	5.4	5.2	0.2
Upper Waimangaroa (Met) [B, D & K]	65%	0.5	0.7	(0.2)	1.7	2.3	(0.6)	2.2	3.0	(0.8)
Takitimu [C, E & F]	100%	0.0	0.1	(0.1)	1.1	1.1	0.0	1.1	1.2	(0.1)
Canterbury Coal [C, E & G]	100%	0.5	0.6	(0.1)	0.6	0.6	0.0	1.1	1.2	(0.1)
Rotowaro [D & F]	65%	0.4	0.4	0.0	1.0	1.3	(0.3)	1.4	1.7	(0.3)
Maramarua [D & K]	65%	1.7	2.3	(0.6)	0.1	0.1	0.0	1.8	2.4	(0.6)
Total		**5.6**	**6.8**	**(1.2)**	**19.9**	**20.4**	**(0.5)**	**25.5**	**27.2**	**(1.7)**

Table 7 – Marketable coal reserves – proved and probable average coal quality

		Proved marketable						Probable marketable					
Area	**Bathurst ownership**	**Mt**	**Ash %**	**Sulphur %**	**VM%**	**CSN**	**CV (MJ/Kg)**	**Mt**	**Ash %**	**Sulphur %**	**VM%**	**CSN**	**CV (MJ/Kg)**
Escarpment Domestic [A, E & H]	100%	0.2	12.9	1.9	35.0	6.8	28.9	0.1	14.5	1.5	34.0	6.1	28.4
Escarpment Export [A, E & H]	100%	1.9	8.9	0.5	35.1	8.5	31.3	0.4	7.1	0.6	36.4	8.5	32.0
Whareatea West [A, E & H]	100%	-	-	-	-	-	-	9.9	12.1	0.9	26.0	9.5	31.9
Stockton [B, D, J & L]	65%	0.4	5.2	2.4	31.1	9.0	33.7	5.0	4.4	3.0	35.4	8.0	34.1
Upper Waimangaroa (Met) [B, D & K]	65%	0.5	3.0	0.7	37.8	4.5	31.8	1.7	3.0	1.4	37.6	4.5	31.8
Takitimu [C, E, H & I]	100%	0.0	8.4	0.2	35.8	N/A	21.7	1.1	7.3	0.2	36.3	N/A	22.0
Canterbury Coal [C, E, G & H]	100%	0.5	9.5	0.9	35.3	N/A	21.3	0.6	9.1	0.9	35.3	N/A	21.4
Rotowaro [C, D, F & I]	65%	0.4	5.6	0.3	36.9	N/A	24.2	1.0	5.4	0.3	37.5	N/A	24.3
Maramarua [C, D, K & I]	65%	1.7	5.8	0.2	37.5	N/A	22.3	0.1	8.3	0.2	37.4	N/A	21.6

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Coal reserves

Table 8 – Marketable coal reserves – total average quality

Area	Bathurst ownership	Coal type	Mining method	Mt	Ash %	Sulphur %	VM%	CSN	CV (MJ/Kg)
Escarpment Domestic [A, E & H]	100%	Thermal	Open Pit	0.3	13.4	1.8	34.7	6.6	28.7
Escarpment Export [A, E & H]	100%	Met	Open Pit	2.3	8.6	0.5	35.3	8.5	31.4
Whareatea West [A, E & H]	100%	Met	Open Pit	9.9	12.1	0.9	26.0	9.5	31.9
Stockton [B, D, J & L]	65%	Met	Open Pit	5.4	4.4	3.0	35.1	8.0	34.1
Upper Waimangaroa (Met) [B, D & K]	65%	Met	Open Pit	2.2	3.0	1.2	37.6	4.5	31.8
Takitimu [C E, F & I]	100%	Thermal	Open Pit	1.1	7.3	0.2	36.3	N/A	22.0
Canterbury Coal [C, E, G & I]	100%	Thermal	Open Pit	1.1	9.3	0.9	35.3	N/A	21.3
Rotowaro [D, F & I]	65%	Thermal	Open Pit	1.4	5.5	0.3	37.3	N/A	24.3
Maramarua [B, D, K & I]	65%	Thermal	Open Pit	1.8	7.8	0.2	49.1	N/A	22.2

Note

All reserves quoted in this release are reported in terms as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia ("JORC").

The measured and indicated mineral resources are inclusive of ore reserves. Coal reserve (Run of Mine (ROM) tonnes) include consideration of standard mining factors. Rounding of tonnes as required by reporting guidelines may result in summation differences between tonnes and coal quality. All ore reserves quoted are reported as of 30 June 2020.

A Reserve tonnages have been calculated using a density value calculated using approximated in-ground moisture values (Preston and Sanders method) and as such reserve tonnages quoted in this report are wet tonnes.

B Stockton and Upper Waimangaroa density values are based on air-dried ash density regressions.

C ROM coal reserves are reported at a moisture content that is based on long term average coal production data and as such all tonnages quoted in this report are wet tonnes.

D Stockton, Upper Waimangaroa, Rotowaro and Maramarua are owned by BT Mining Limited in which Bathurst has a 65 percent equity share.

E Escarpment Domestic reserves, Escarpment Export reserves, Whareatea West reserves, Takitimu reserves and Canterbury reserves are 100 percent Bathurst Resources Limited ownership.

F Decrease in coal reserves due to mining depletion offset against increased tonnage from a revised geological model.

G Decrease in coal reserves due to mining depletion.

H Marketable reserves are based on geologic modelling of the anticipated yield from ROM reserves. Total marketable coal reserves are reported at a product specific moisture content (10 – 12 percent for Escarpment Export and Whareatea West, 5 – 8 percent at Escarpment Domestic) for sale after the beneficiation of the total coal reserves, converted using ASTM D3180 ISO 1170. Reserve tonnages have been calculated using a density value calculated using approximated in-ground moisture values (Preston and Sanders method) and as such all tonnages quoted in this report are wet tonnes. All coal qualities quoted are on an air-dried basis.

I Marketable reserves are based on reconciled yields from ROM reserves. Marketable coal reserves are reported at a product specific moisture content based on long term average coal production data and as such all tonnages quoted in this report are wet tonnes.

J Decrease in coal reserves due to mining depletion offset against increased stockpile tonnage on completion of A18 fines prefeasibility study.

K Decrease in coal reserves due to mining depletion and updated geotechnical design criteria.

L Increase in coal reserves due to reconciled mining recovery.

Resource quality

Bathurst is not aware of any information to indicate that the quality of the identified resources will fall outside the range of specifications for reserves as indicated in the above table. Further resource and reserve information can be found on Bathurst's website at www.bathurst.co.nz.

Mineral resource and ore reserves governance and estimation process

Resources and reserves are estimated by internal and external personnel, suitably qualified as Competent Persons under the Australasian Institute of Mining and Metallurgy, reporting in accordance with the requirements of the JORC code, industry standards and internal guidelines.

All resource estimates and supporting documentation are reviewed by a Competent Person either employed directly by Bathurst or employed as an external consultant. If there is a material change in an estimate of a resource, or if the estimate is an inaugural resource, the estimate and all relevant supporting documentation is further reviewed by an external suitably qualified Competent Person.

All reserve estimates are prepared in conjunction with prefeasibility, feasibility and life of mine studies which consider all material factors. All resource and reserve estimates are then further reviewed by suitably qualified internal management.

The resources and reserves statements included in Bathurst's 2020 annual report have been reviewed by qualified internal and external Competent Persons, and internal management, prior to their inclusion.

Competent person statements

The information on this report that relates to mineral resources for Deep Creek and the mineral reserves for Escarpment Export and Whareatea West is based on information compiled by Sue Bonham-Carter, who is a full time employee of Golder Associates (NZ) Ltd and is a Chartered Professional and member of the Australasian Institute of Mining and Metallurgy and member of Professional Engineers and Geoscientists of British Columbia, Canada. Ms Bonham-Carter has a BSc Engineering (Mining) (Hons) from the Queen's University, Canada. Ms Bonham-Carter has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2004 Edition and 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ms Bonham-Carter consents to the inclusion in this report of the matters based on her information in the form and context in which it appears above.

The information in this report that relates to exploration results and mineral resources for Escarpment Domestic, Escarpment Export, Sullivan, Cascade, Albury, Coalbrookdale, Whareatea West, Millerton North, North Buller, Blackburn, Takitimu, Canterbury Coal, New Brighton, Rotowaro, Rotowaro North, Maramarua and mineral reserves for Escarpment Domestic is based on information compiled by Hamish McLauchlan as a Competent Person who is a full time employee of Bathurst Resources Limited and is a member of the Australasian Institute of Mining and Metallurgy. Mr McLauchlan has a BSc and MSc (Hons) majoring in geology from the University of Canterbury. Mr McLauchlan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition and 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr McLauchlan consents to the inclusion in this report of the matters based on his information in the form and context in which it appears above.

The information in this report that relates to exploration results and mineral resources for Stockton and Upper Waimangaroa is based on information compiled by Mark Lionnet as a Competent Person who is a full time employee of BT Mining Limited and is a member of the Australasian Institute of Mining and Metallurgy. Mr Lionnet has a BSc (Hons) majoring in geology from the University of Witwatersrand. Mr Lionnet has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Lionnet consents to the inclusion in this report of the matters based on his information in the form and context in which it appears above.

The information on this report that relates to mineral reserves for Takitimu, Canterbury, Rotowaro and Maramarua is based on information compiled by Damian Spring who is a full time employee of Bathurst Resources Limited and is a Chartered Professional member of the Australasian Institute of Mining and Metallurgy. Mr Spring has a Bachelor of Engineering (Mining) from the University of Auckland. Mr Spring has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Spring consents to the inclusion in this report of the matters based on his information in the form and context in which it appears above.

The information on this report that relates to mineral reserves for Stockton and Upper Waimangaroa is based on information compiled by Ian Harvey who is a full-time employee of Bathurst Resources Limited and is a member of the Australasian Institute of Mining and Metallurgy. Mr Harvey has a Bachelor in Mining Engineering from the University of Otago. Mr Harvey has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Harvey consents to the inclusion in this report of the matters based on his information in the form and context in which it appears above.

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Corporate directory

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Non-executive Chairman

Peter Westerhuis
Non-executive director

Richard Tacon
Executive director and Chief Executive Officer

Russell Middleton
Executive director and Chief Financial Officer

Company secretary
Bill Lyne

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Banker
ANZ Bank New Zealand Limited

Stock exchange listing
Bathurst Resources Limited shares are listed on the Australian Securities Exchange under code BRL.

Website address
www.bathurst.co.nz

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