



 **BATHURST**
RESOURCES LIMITED

Interim Report

for the six months ended 31 December 2018

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Directors' report

The Directors present their report on the consolidated entity consisting of Bathurst Resources Limited (“Bathurst” or “BRL”) and the entities it controlled for the six months ended 31 December 2018.

Directors

The following persons were directors of Bathurst at any time during the period and up to the date of this report:

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

Principal activities

Bathurst's principal activity during the period was the operation of coal mines in the North and South Islands of New Zealand.

Overview

Financial highlights:



**Record profit
after tax of
\$25.4m**



**Results from operations
\$27.2m
up 10% from pcp**



**EBITDA¹ up 32% to
\$54.0m**



**Cash levels steady after
investments to extend
existing operations**

The above record results (100% Bathurst and 65% BT Mining) have benefited from:

- » increased domestic and export sales volumes
- » continuing export prices above budget expectations
- » maintaining low unit costs of production
- » improving safety systems and performance
- » full six months of operations from BT Mining.

¹ Earnings before net finance costs (including interest), tax, depreciation, amortisation, impairment, fair value movements on derivatives and deferred consideration, and movements in rehab provisioning

Directors' report (continued)

Profit reconciliation to EBITDA

	6 months ended 31 December 2018 \$'000	6 months ended 31 December 2017 \$'000
Underlying profit	26,482	23,165
<i>Add back</i>		
Finance costs on debt instruments	(1,091)	(3,473)
Fair value movement on derivatives	-	(27,687)
Fair value movement on borrowings	-	(4,434)
Statutory profit/(loss) after tax	25,391	(12,429)
<i>Add back</i>		
BT Mining equity accounted profit share	(23,964)	(22,311)
Depreciation and amortisation	3,180	2,113
Impairment	-	630
Net finance costs	1,839	5,008
Fair value movement on derivatives	-	27,687
Fair value movement on borrowings	-	4,434
Fair value (gain)/loss on deferred consideration	(59)	208
Movement in rehabilitation provision	197	153
Bathurst EBITDA	6,584	5,493
<i>Add back</i>		
65% share of BT Mining EBITDA	47,411	35,316
Consolidated EBITDA attributable to Bathurst	53,995	40,809

Directors' report (continued)

Operations overview

Operational highlights

The table below is for the six months ended 31 December:

Performance metrics	Unit	Export*	Domestic*	Total	Total	Bathurst (excl. BT Mining)	Bathurst (excl. BT Mining)
		2018	2018	2018	2017	2018	2017
Production	kt	555	650	1,205	856	201	191
Sales	kt	621	663	1,284	869	214	188
Overburden	Bcm '000	2,322	8,085	10,407	6,075	2,196	2,012

* Export represents BT Mining's Stockton export mine at 100%, and Domestic represents 100% BT Mining's two North Island domestic mines and Bathurst's two South Island domestic mines.

Export

The Stockton export coking coal mine benefited from strong export prices for the first six months of FY19 at an average price received of NZD \$214/t, contributing \$34.8m equity share of consolidated EBITDA to Bathurst. With forecast global steel demand staying strong and the current disruption to coking coal transport due to flooding in Queensland, the outlook remains positive for prices for the remainder of FY19.

Significant investment was made during the period in mining equipment replacement which will reduce unit operating costs and increase efficiencies.

The Cascade and Escarpment mines continue to remain on care and maintenance. Drilling commenced during the period as part of a wider Denniston Plateau integration project to convert resources to reserves.

Domestic

North Island domestic operations contributed \$14.3m equity share of consolidated EBITDA to Bathurst. During the period the Rotowaro mine was transitioned to owner operator with significant investment made to purchase the existing mining fleet. This will enable the development of a new resource within Rotowaro's current area of operations, extending the life of the operations for a further four years.

South Island domestic operations EBITDA increased 27% to \$11.2m for the six month period. This reflects an increase in sales revenue which is primarily volume driven.

New overseas joint venture

Bathurst finalised a new joint venture during the period with Jameson Resources Limited ("Jameson"), investing in the Crown Mountain coking coal project which is located in the Elk Valley in British Columbia, Canada.

Bathurst's investments to date have been used to fund the project's summer exploration programme and to continue the permitting, environmental approvals and workstreams to support the bankable feasibility study ("BFS"). Directors have been very pleased with the progress of the project. Activities over the Canadian winter months will include laboratory analyses from the summer drilling campaign, updating the resource modelling, and BFS related activities. For further information, refer to note 8 in the Notes to the Financial Statements.

Directors' report (continued)

Cashflow and capital management

Cash flow summary²

	6 months ended 31 December 2018 \$'000
Operating cash flows	44,096
Investing cash flows	(43,317)
Financing cash flows	597
Opening cash	25,236
Movement in cash	1,376
Closing cash	26,612

The difference between operating cashflows and EBITDA is tax paid and movements in working capital.

Investing cash flows consist of CAPEX (primarily at Stockton and Rotowaro as noted in operations above), investment in the new joint venture Crown Mountain Project, advanced stripping, and deferred consideration relating to asset acquisitions.

Financing cash flows have funded the corporate share buybacks, finance lease repayments and interest due on borrowings, offset by a drawdown on finance leases to fund CAPEX purchases.

Debt

The first of the corporate debt instruments issued to fund the investment in BT Mining mature in July 2019. These convertible notes have a face value of \$2.9m and may be converted to equity at the option of the note holders at any time up to 10 days before their maturity.

Other corporate debt (excluding finance leases) without a conversion option is the subordinated USD bonds with a face value of USD \$7.9m.

Dividends

No dividends were paid or declared in the six months to 31 December 2018 (2017: nil).

Capital initiatives

On-market share buybacks of Bathurst's shares commenced in October 2018. Up to 31 December 2018, 11.6m shares had been bought at an average price of AUD 12.3 cents per share.

These financial statements were authorised for issue on behalf of the Board of Directors on 26 February 2019.



Toko Kapea
Chairman



Russell Middleton
Director

² Financial figures noted are 100% Bathurst and 65% BT Mining

The background is a solid teal color. Two thin white curved lines intersect on the right side of the page, creating a large, abstract shape that resembles a stylized 'X' or a large bracket. The lines are smooth and continuous.

Interim financial report

Income Statement

For the six months ended 31 December 2018

	Notes	Reviewed 6 months ended 31 December 2018 \$'000	Reviewed 6 months ended 31 December 2017 \$'000
Revenue	3	28,277	24,523
Less: cost of sales		(18,501)	(16,003)
Gross Profit		9,776	8,520
Share of equity accounted profit	8	23,964	22,311
Other income		125	110
Depreciation		(1,304)	(1,093)
Administrative and other expenses	4	(5,390)	(4,296)
Fair value gain/(loss) on deferred consideration	10	59	(208)
Loss on disposal of fixed assets		-	(14)
Impairment losses		-	(630)
Operating profit before tax		27,230	24,700
Fair value movement on derivatives		-	(27,687)
Fair value movement on borrowings		-	(4,434)
Finance cost	5	(1,919)	(5,102)
Finance income	5	80	94
Total profit/(loss) after tax		25,391	(12,429)
Profit/(loss) per share:		Cents	Cents
Basic profit/(loss) per share		1.61	(0.97)
Diluted profit/(loss) per share		1.41	(0.97)

The above income statement should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

For the six months ended 31 December 2018

	Reviewed 6 months ended 31 December 2018 \$'000	Reviewed 6 months ended 31 December 2017 \$'000
Total profit/(loss) after tax	25,391	(12,429)
Other comprehensive profit/(loss), net of tax		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translation	(295)	6
Total comprehensive income/(loss)	25,096	(12,423)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Balance Sheet

As at 31 December 2018

	Notes	Reviewed 31 December 2018 \$'000	Audited 30 June 2018 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		14,735	20,179
Restricted short-term deposits		4,030	4,037
Trade and other receivables	6	8,555	3,903
Inventories		1,118	1,226
Intangible assets – New Zealand emission units		1,329	396
Other financial assets		25	25
Total current assets		29,792	29,766
Non-current assets			
Property, plant and equipment		17,850	17,521
Mining licences/permits, properties, exploration & evaluation assets	7	27,683	26,307
Crown indemnity		356	351
Interest in joint ventures	8	70,304	45,436
Other financial assets		114	114
Total non-current assets		116,307	89,729
TOTAL ASSETS		146,099	119,495
LIABILITIES			
Current liabilities			
Trade and other payables		9,681	5,735
Borrowings	9	15,751	1,895
Deferred consideration	10	1,145	1,258
Provisions		809	1,160
Total current liabilities		27,386	10,048
Non-current liabilities			
Borrowings	9	10,692	27,883
Deferred consideration	10	6,140	6,350
Provisions		4,597	4,768
Total non-current liabilities		21,429	39,001
TOTAL LIABILITIES		48,815	49,049
NET ASSETS		97,284	70,446
EQUITY			
Contributed equity	11	274,651	263,179
Debt instruments - equity component	11	33,587	43,788
Reserves		(31,661)	(31,837)
Accumulated losses		(179,293)	(204,684)
TOTAL EQUITY		97,284	70,446

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the six months ended 31 December 2018

Reviewed	Contributed equity	Debt instrument equity component	Share based payment reserve	Foreign exchange reserve	Retained earnings	Re-organisation reserve	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1 July 2017	249,092	-	278	(154)	(210,232)	(32,760)	6,224
Comprehensive loss	-	-	-	6	(12,429)	-	(12,423)
Contributions of equity	14,087	43,788	-	-	-	-	57,875
Share based payments expense	-	-	195	-	-	-	195
31 December 2017	263,179	43,788	473	(148)	222,661	(32,760)	51,871
1 July 2018	263,179	43,788	1,072	(149)	(204,684)	(32,760)	70,446
Comprehensive profit	-	-	-	(295)	25,391	-	25,096
Contributions of equity	12,885	(10,201)	-	-	-	-	2,684
On-market share buybacks	(1,413)	-	-	-	-	-	(1,413)
Share based payments expense	-	-	471	-	-	-	471
31 December 2018	274,651	33,587	1,543	(444)	(179,293)	(32,760)	97,284

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the six months ended 31 December 2018

	Note	Reviewed 6 months ended 31 December 2018 \$'000	Reviewed 6 months ended 31 December 2017 \$'000
Cash flows from operating activities			
Receipts from customers		24,427	20,844
Payments to suppliers and employees		(18,926)	(16,961)
Dividend from BT Mining		6,500	-
Net cash inflow from operating activities		12,001	3,883
Cash flows from investing activities			
Exploration and consenting expenditure		(121)	(239)
Mining assets (including elevated stripping)		(4,037)	(4,518)
Property, plant and equipment		(1,418)	(508)
Restricted deposits		8	(154)
Deferred consideration		(581)	(332)
Advances paid to BT Mining	8	-	(21,044)
Investment in NWP Coal Canada Limited	8	(7,712)	-
Other investing activities		(29)	31
Net cash outflow from investing activities		(13,890)	(26,764)
Cash flows from financing activities			
Proceeds from borrowings		-	641
Interest received		50	133
Interest on finance leases and other finance costs paid		(142)	(132)
Repayment of finance leases		(968)	(1,279)
Interest on debt instruments		(1,083)	(2,027)
Share buybacks		(1,412)	-
Net cash outflow from financing activities		(3,555)	(2,664)
Net decrease in cash and cash equivalents		(5,444)	(25,545)
Cash and cash equivalents at the beginning of the period		20,179	28,892
Cash and cash equivalents at the end of the period		14,735	3,347

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the six months ended 31 December 2018

1. Summary of significant accounting policies

A. 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 is listed on the Australian Securities Exchange (“ASX”). These financial statements have been prepared in accordance with the ASX listing rules.

These financial statements have been approved for issue by the Board of Directors on 26 February 2019.

The financial statements presented as at and for the 6 months ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the “Group”). Joint ventures are accounted for using the equity method.

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

B. Basis of preparation

These interim financial statements have been prepared in accordance with the New Zealand Equivalent to International Financial Reporting Standard NZ IAS 34: *Interim Financial Reporting*, and IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the annual financial statements for the year ended 30 June 2018.

The accounting policies used in the preparation of these interim financial statements are consistent with those used to prepare the annual financial statements for the year ended 30 June 2018, with the exception of two new accounting standards which the Group adopted effective 1 July 2018. These are discussed further below.

C. Presentation currency and rounding

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.

D. Measurement basis

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

E. Application of new accounting standards

(i) *New Zealand equivalents to International Financial Reporting Standards 9 (“IFRS 9”) – Financial Instruments*

This standard replaces NZ IAS 39 *Financial Instruments: Recognition and Measurement*. It introduces a forward-looking expected credit loss impairment model, changes to the classification and measurement of financial instruments, as well as how hedge accounting can be applied. The only impact on the Group on adoption of this standard was a change in classification terminology on its financial assets, and some increased disclosures which will be reflected for the first time in the 30 June 2019 annual financial statements. There was no financial impact.

(ii) *New Zealand equivalents to International Financial Reporting Standards 15 (“IFRS 15”) – Revenue from contracts with customers*

This standard details a comprehensive principles based approach on how to recognise revenue from contracts with customers. The Group reviewed its contracts with customers regarding the sale of coal and freight and ash disposal services and determined that there was no financial impact on the adoption of this standard. Increased disclosures required will be reflected for the first time in the 30 June 2019 annual financial statements.

The Group adopted both IFRS 15 and IFRS 9 with effect from 1 July 2018 without restatement, and in accordance with the transition requirements.

Notes to the Financial Statements

For the six months ended 31 December 2018

2. Segment information

Management has determined operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The export segment represents BRL's Buller Coal project and 100% of BT Mining's export mine (Stockton). The domestic segment represents BRL's eastern domestic operations and 100% of BT Mining's North Island domestic operations. Corporate includes BRL and 100% 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, tax expense is assigned to corporate.

Six months ended 31 December 2018 – reviewed

	Export	Domestic	Corporate	Total	Eliminate BT Mining	BRL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from contracts with customers	133,170	74,311	-	207,481	(179,204)	28,277
EBITDA	53,750	33,254	(7,480)	79,524	(72,940)	6,584
Equity accounted profit - BT Mining	-	-	-	-	-	23,964
Operating profit before tax	47,665	21,937	(7,228)	62,374	(59,108)	*27,230
Fair value movements	-	-	(3,439)	(3,439)	3,439	-
Net finance costs	(849)	(526)	(2,589)	(3,964)	2,125	(1,839)
Income tax expense	-	-	(16,677)	(16,677)	16,677	-
Comprehensive income after tax	46,816	21,411	(30,228)	37,999	(36,867)	*25,096
<i>Amounts included in comprehensive income/(loss)</i>						
Depreciation and amortisation	4,675	10,855	101	15,631	(12,451)	3,180

Six months ended 31 December 2017 – reviewed

	Export	Domestic	Corporate	Total	Eliminate BT Mining	BRL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from contracts with customers	91,486	49,652	266	141,404	(116,677)	24,727
EBITDA	45,565	21,858	(7,597)	59,826	(54,333)	5,493
Equity accounted profit - BT Mining	-	-	-	-	-	22,311
Operating profit before tax	42,371	17,953	(23,219)	37,105	(34,716)	*24,700
Fair value movements	-	-	(32,121)	(32,121)	-	(32,121)
Net finance costs	(28)	(248)	(5,124)	(5,400)	(392)	(5,008)
Income tax expense	-	-	(14,223)	(14,223)	14,223	-
Comprehensive income after tax	42,343	17,705	(60,458)	(410)	(34,324)	*(12,423)
<i>Amounts included in comprehensive income/(loss)</i>						
Depreciation and amortisation	2,413	2,928	35	5,376	(3,263)	2,113

* Note that BRL operating profit and comprehensive income does not equal the sum of Combined minus BT Mining, as BRL's 65% share of BT Mining's profit is included.

Notes to the Financial Statements

For the six months ended 31 December 2018

3. Revenue from contracts with customers

	Note	Reviewed 6 months ended 31 December 2018 \$'000	Reviewed 6 months ended 31 December 2017 \$'000
Coal sales		20,699	18,279
Freight and ash disposal revenue		7,578	6,244
Sales Revenue		28,277	24,523

4. Administrative and other expenses

Administrative and other expenses includes the following items:

Remuneration of auditors		109	116
Directors fees		108	103
Legal fees		861	944
Consultants		334	401
Employee benefit expense		1,859	1,205
Rent		182	158
Share based payments expense		471	195

5. Net finance costs

Interest income		80	94
Total finance income		80	94
Success Fee		-	(860)
Interest expense on finance leases and dept instruments		(1,281)	(2,504)
Realised foreign exchange loss		(48)	(925)
Unrealised foreign exchange loss		(97)	(348)
Provisions: unwinding of discount		(182)	(128)
Deferred consideration: unwinding of discount	10	(311)	(337)
Total finance costs		(1,919)	(5,102)

6. Trade and other receivables

Included in trade and other receivables is \$0.4m related party receivables from BT Mining (\$0.3m at 30 June 2018).

Notes to the Financial Statements

For the six months ended 31 December 2018

7. Mining licences/permits, properties, exploration, and evaluation assets

	Reviewed 31 December 2018 \$'000	Audited 30 June 2018 \$'000
Exploration and evaluation assets		
Opening balance	312	2,022
Expenditure capitalised	119	295
Impairment recognised	-	(630)
Transfer to mining licences and property assets	-	(1,375)
Total exploration and evaluation assets	431	312
Mining licences/permits and property assets		
Opening balance	25,995	18,592
Expenditure capitalised	470	301
Transferred from exploration and evaluation assets	-	1,375
Amortisation	(1,876)	(2,426)
Impairment recognised	-	(1,000)
Abandonment provision movement	(906)	876
Waste moved in advance capitalised	3,569	8,277
Total mining licences/permits and property assets	27,252	25,995
Total mining licences/permits, property, exploration and evaluation assets	27,683	26,307

8. Interest in joint ventures

Interest in BT Mining	62,900	45,436
Interest in NWP Coal Canada Limited	7,404	-
Total interest in joint ventures	70,304	45,436

BT Mining Limited

(a) Balances held in BT Mining		
Equity investment	16,250	16,250
65% share of retained earnings net of dividends	46,650	29,186
Total interest in BT Mining	62,900	45,436
Opening Balance	45,436	3,515
Increase in loan to BT Mining	-	21,044
Conversion of \$16.25m from loan to equity investment (nil net movement)	-	-
Receipt of loan repayment	-	(9,084)
Receipt of dividend	(6,500)	(13,000)
65% share of profit	23,964	42,961
Closing Balance	62,900	45,436

Notes to the Financial Statements

For the six months ended 31 December 2018

8. Interest in joint ventures (continued)

BT Mining Limited (continued)

(b) BT Mining Balance Sheet	Reviewed 31 December 2018 \$'000	Audited 30 June 2018 \$'000
Cash	18,272	7,780
Trade and other receivables	39,989	48,176
Inventories	36,304	35,348
New Zealand emission units	3,507	1,243
Current assets	98,072	92,547
Property, plant and equipment	68,694	41,454
Mining licences/permits, properties, exploration and evaluation assets	36,253	27,273
Crown indemnity	54,278	53,399
Deferred tax asset	-	1,646
Non-current assets	159,225	123,772
TOTAL ASSETS	257,297	216,319
Trade and other payables	33,679	28,526
Tax payable	19,699	19,048
Derivative liabilities	6,787	3,348
Deferred consideration	7,124	11,900
Provisions	361	882
Current liabilities	67,650	63,704
Finance lease liabilities	6,532	-
Provisions	71,394	67,614
Deferred consideration	14,694	15,100
Deferred tax liability	259	-
Non-current liabilities	92,879	82,714
TOTAL LIABILITIES	160,529	146,418
NET ASSETS	96,768	69,901
Share Capital	25,000	25,000
Retained earnings net of dividends paid	71,768	44,901
TOTAL EQUITY	96,768	69,901
<i>Reconciliation to BRL's interest in BT Mining</i>		
65% share of share capital	16,250	16,250
65% share of retained earnings net of dividends paid	46,650	29,186
BRL's interest in BT Mining	62,900	45,436

Notes to the Financial Statements

For the six months ended 31 December 2018

8. Interest in joint ventures (continued)

BT Mining Limited (continued)

BRL holds a 65% shareholding in BT Mining. BT Mining's operations consist of:

- » 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.

For an unaudited proportionate consolidation presentation of BRL and BT Mining, refer to the Additional Information section after the Notes to the Financial Statements.

NWP Coal Canada Limited

On 12 July 2018 BRL secured a new joint venture agreement with Jameson Resources Limited ("Jameson"). The investment was made in Jameson's Canadian subsidiary, NWP Coal Canada Limited ("NWP"). The investment was done 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 and licence applications located in the Elk Valley coal field in south eastern British Columbia, Canada.

The joint venture agreement has structured BRL's investment in NWP into three stages, each representing incremental equitable interests in NWP. Further investments are at the sole discretion of BRL.

Investment	Amount	Ownership	Use of proceeds	Status
Tranche one	CAD \$4.0m	8%	Exploration programme	Complete
Tranche two	CAD \$7.5m	12%	BFS related activities	In progress
Tranche three	CAD \$110.m	30%	Construction	Not started
Total	CAD \$121.5m	50%	As above	

The total amount of CAD \$6.8m (NZD \$7.4m) invested at 31 December 2018 represents the first tranche (CAD \$4.0m) issued in exchange for common ordinary shares in NWP, as well as a further CAD \$2.8m as part of tranche 2, issued in exchange for preference shares in NWP.

The CAD \$2.8m investment in exchange for preference shares is done on a cash call basis at the request of NWP, up to a maximum of CAD \$5.0m. If BRL exercises the tranche two option, further investment required will equal CAD \$7.5m minus funds invested in the preference shares, and the preference shares will automatically convert to ordinary shares on a 1:1 basis.

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

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

Notes to the Financial Statements

For the six months ended 31 December 2018

9. Borrowings

	Reviewed 31 December 2018 \$'000	Audited 30 June 2018 \$'000
Current		
<i>Secured</i>		
Lease liabilities	1,082	1,654
Bank borrowings backing fixed asset purchases	124	241
Subordinated bonds	11,747	-
<i>Unsecured</i>		
Convertible notes	2,798	-
Total current borrowings	15,751	1,895
Non-current		
<i>Secured</i>		
Lease liabilities	3,605	3,714
Bank borrowings backing fixed asset purchases	287	287
Subordinated bonds	-	11,689
<i>Unsecured</i>		
Convertible notes	6,800	12,193
Total non-current borrowings	10,692	27,883
Total borrowings	26,443	29,778

The subordinated bonds have been classified as current as there was a minor technical breach to the bond terms. The required majority approval by the bond holders for the share buybacks before the scheme commenced was received retrospectively at the AGM.

A summary of key details of the Company's debt instruments at 31 December 2018 are as follows:

Instrument	Denomination currency	Face value \$m	Coupon rate %	Issue date	Maturity date	Per note conversion # shares
Convertible notes	NZD	\$2.9m	8%	22/07/2016	22/07/2019	45,455
Convertible notes	NZD	\$7.0m	8%	1/02/2017	1/02/2021	26,667
Subordinated bonds	USD	\$7.9m	10%	1/02/2017	1/02/2020	n/a

All terms of the debt instruments are the same as those noted in the 30 June 2018 financial statements.

Convertible notes

There were two conversions during the period at the request of the note holders. The proportionate value sitting in borrowings and in equity (under debt instruments – equity component) relating to these notes was transferred to issued capital. For further information refer to note 11.

Fair value of debt instruments

The USD subordinated bonds and convertible notes are shown at amortised cost. Their fair value has been measured at a fair value hierarchy of level 2 as noted below:

Instrument	31 December 2018		30 June 2018	
	Fair Value \$'000	Carrying Value \$'000	Fair Value \$'000	Carrying Value \$'000
Subordinated bonds	12,214	11,747	12,175	11,689
Convertible notes	9,966	9,598	12,652	12,193

Notes to the Financial Statements

For the six months ended 31 December 2018

10. Deferred consideration

	Reviewed 31 December 2018 \$'000	Audited 30 June 2018 \$'000
Current acquisition of subsidiary deferred consideration	1,145	1,258
Non-current acquisition of subsidiary deferred consideration	6,140	6,350
Total deferred consideration	7,285	7,608
Opening balance	7,608	7,928
Unwinding of discount	311	673
Fair value adjustment	(59)	(102)
Consideration paid during the year	(575)	(891)
Closing balance	7,285	7,608

Deferred consideration liabilities have been categorised as level 3 under the fair value hierarchy.

(a) Buller coal project

The Company acquired Buller Coal Limited (formerly L&M Coal Limited) in November 2010 and the sale and purchase agreement contained an element of deferred consideration. The deferred consideration comprised cash consideration and/or royalties on coal sold and the issue of performance shares.

The deferred cash consideration is made up of two payments of USD\$40,000,000 (performance payments). The first being payable upon 25,000 tonnes of coal being shipped from the Buller Coal Project, the second payable upon 1 million tonnes of coal being shipped from the Buller Coal Project.

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

BRL has and will continue to remit royalty payments to L&M Coal Holdings Limited (the vendor) on all coal sold as required by the Royalty Deed and this includes ongoing sales from stockpiles at the Escarpment mine. Further information is included in note 12.

(b) Canterbury coal mine

The acquisition of the assets of the Canterbury coal mine 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 the assets of the mine. The fair value of the future royalty payments is estimated using a discount rate based upon the Company's WACC and production profile at a set rate per tonne of coal produced.

(c) 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 of coal sold in the Ohai area. The fair value of the future royalty payments is estimated using a discount rate based upon the Company's WACC, projected production profile, and estimated domestic coal prices.

Notes to the Financial Statements

For the six months ended 31 December 2018

11. Equity

	Reviewed 31 December 2018 # of shares 000s	Audited 30 June 2018 # of shares 000s
(a) Ordinary fully paid shares		
Opening balance	1,513,164	986,028
Conversion of redeemable convertible preference shares ("RCPS")	-	513,818
Conversion of convertible notes	82,789	13,318
Share buybacks	(11,571)	-
Closing balance ordinary fully paid shares	1,584,382	1,513,164

During the period, 1,400 notes of the February 2017 issue of convertible notes were converted to shares at the option of the note holder, at 1,150 NZD per note and 4.3125 cents per share. 1,000 notes of the July 2016 issue of convertible notes were also converted to shares at 1,150 NZD per note and 2.53 cents per share (June 2018: 293 notes).

	\$'000	\$'000
(b) Value of issued equity		
Opening balance	263,179	249,092
Conversion of RCPS	-	12,105
Conversion of convertible notes	12,885	1,982
Share buybacks	(1,413)	-
Closing balance	274,651	263,179

The value transferred to equity on conversion of the convertible instruments was the proportional value of the amortised cost of the underlying borrowings, as well as the fair value of the conversion option (transferred from debt instruments – equity component noted below).

(c) Debt instruments – equity component		
Opening balance	43,788	-
Classification of conversion option on convertible notes as equity	-	43,788
Conversion of convertible notes	(10,201)	-
Closing balance	33,587	43,788

12. Contingent liabilities

On 23 December 2016, BRL announced that L&M Coal Holdings Limited had filed legal proceedings in the High Court of New Zealand in relation to an alleged breach of the first USD\$40m performance payment described in note 10. On 20 August 2018 BRL advised that it received an unfavourable judgment from the High Court on this matter.

The Court held that the first performance payment had been triggered and was payable as royalties were not being paid on a reasonable level (undefined by the Court) of production. BRL lodged an appeal to the Court of Appeal, with the hearing date set for three days from the 20 to 22 August 2019. Based on legal advice, BRL believes that it is more likely than not that it will be successful in the Court of Appeal.

Notwithstanding this, should BRL ultimately be unsuccessful, directors have considered options to fund payment and are of the view that BRL would be able to do so.

13. Events after the reporting period

There are no material events that occurred subsequent to reporting date, that require recognition of, or additional disclosure in these financial statements.

Additional Information

For the six months ended 31 December 2018

Unaudited proportionate consolidation presentation of BRL and BT Mining Operations

The below Income Statement, Balance Sheet and Cashflow represent 100% of BRL operations, and 65% of BT Mining operations. This presentation does not reflect reporting under NZ GAAP or NZ IFRS. This is presented solely to show a combined operating view of the two businesses for information purposes only.

Note that prior period comparatives have not been provided as the prior period for BT Mining only includes 4 months (as the acquisition date was 1 September 2017).

Consolidated Income Statement

	31 December 2018
	\$'000
Revenue	144,760
Realised FX and coal hedging	(4,331)
Less: cost of sales	(84,138)
Gross Profit	56,291
Other income	269
Depreciation	(4,305)
Administrative and other expenses	(10,627)
Fair value gain on deferred consideration	59
Operating profit before tax	41,687
Fair value movement on derivatives	(2,235)
Finance cost	(3,465)
Finance income	244
Profit before income tax	36,231
Income tax expense	(10,840)
Total profit after tax	25,391

Additional Information

As at 31 December 2018

Consolidated Balance Sheet	31 December 2018 \$'000
ASSETS	
Current assets	
Cash and cash equivalents	26,612
Restricted short-term deposits	4,030
Trade and other receivables	34,548
Inventories	24,716
New Zealand emission units	3,609
Other financial assets	25
Total current assets	93,540
Non-current assets	
Property, plant and equipment	62,501
Mining licences/permits, properties, exploration and evaluation assets	51,247
Crown indemnity	35,637
Joint venture investment in NWP	7,404
Other financial assets	114
Total non-current assets	156,903
TOTAL ASSETS	250,443
LIABILITIES	
Current liabilities	
Trade and other payables	31,572
Tax payable	12,804
Borrowings	15,751
Derivative liabilities	4,412
Deferred consideration	5,776
Provisions	1,044
Total current liabilities	71,359
Non-current liabilities	
Borrowings	14,938
Deferred consideration	15,691
Provisions	51,003
Deferred tax	168
Total non-current liabilities	81,800
TOTAL LIABILITIES	153,159
NET ASSETS	97,284
EQUITY	
Contributed equity	274,651
Debt instruments – equity component	33,587
Reserves	(31,661)
Accumulated losses	(179,293)
TOTAL EQUITY	97,284

Additional Information

For the six months ended 31 December 2018

Consolidated Cash Flow	31 December 2018 \$'000
Cash flows from operating activities	
Receipts from customers	143,210
Payments to suppliers and employees	(89,965)
Taxes paid	(9,149)
Net cash inflow from operating activities	44,096
Cash flows from investing activities	
Exploration and consenting expenditure	(305)
Mining assets (including elevated stripping)	(14,854)
Property, plant and equipment purchases	(16,028)
Proceeds from disposal of property, plant and equipment	179
Restricted deposits	8
Payment of deferred consideration	(4,576)
Investment in NWP	(7,712)
Other	(29)
Net cash outflow from investing activities	(43,317)
Cash flows from financing activities	
Interest on debt instruments	(1,083)
Interest received	214
Interest paid on finance leases	(366)
Repayment of finance leases	(1,207)
Drawdown on finance leases	4,485
Finance facility fees	(34)
Share buybacks	(1,412)
Net cash inflow from financing activities	597
Net increase in cash and cash equivalents	1,376
Cash and cash equivalents at the beginning of the period	25,236
Cash and cash equivalents at the end of the period	26,612



Independent Review Report

To the shareholders of Bathurst Resources Limited

Report on the interim consolidated financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements on pages 8 to 21 do not:

- i. present fairly in all material respects the Group's financial position as at 31 December 2018 and its financial performance and cash flows for the six month period ended on that date; and
- ii. comply with NZ IAS 34 Interim Financial Reporting.

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

- the consolidated balance sheet as at 31 December 2018;
- the consolidated statements of comprehensive income, changes in equity, cash flows and income statement for the six month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for conclusion

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

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

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.



Emphasis of matter – contingent liabilities

We draw attention to Note 12 in the interim consolidated financial statements which discloses the unfavorable judgment received in relation to legal proceedings in the High Court of New Zealand filed by L&M Coal Holdings Limited. The Company has lodged an appeal to the Court of Appeal against the decision.

No liability has been recognised as at 31 December 2018 based on legal advice that it is more likely than not that the Company will be successful in the Court of Appeal. Our opinion is not modified in respect of this matter.



Use of this Independent Review Report

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



Responsibilities of the Directors for the interim consolidated financial statements

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

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



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

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

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

This description forms part of our Independent Review Report.

KPMG
Wellington

26 February 2019



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