

BATHURST RESOURCES LIMITED

Financial statements for the year ended 30 June 2018

Contents

	Page
Income Statement	3
Statement of Comprehensive Income	4
Balance Sheet	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 – 39
Additional Information	40 - 42
Independent Auditor's report	43

The Directors of Bathurst Resources Limited authorised these financial statements for issue on behalf of the Board



*Toko Kapea
Chairman, 27 August 2018*



*Russell Middleton
Director, 27 August 2018*

Bathurst Resources Limited

Income Statement

For the year ended 30 June 2018

		2018	Restated
	Notes	\$'000	2017
		\$'000	\$'000
Revenue	3	47,817	41,591
Less: cost of sales	4	(32,854)	(32,379)
Gross Profit		14,963	9,212
Share of equity accounted profit/(loss)	15	42,961	(775)
Other income		213	618
Depreciation	12	(2,431)	(2,952)
Administrative and other expenses	5	(9,150)	(7,650)
Fair value gain on deferred consideration	20	102	1,749
Gain on disposal of fixed assets		(21)	110
Impairment losses	8	(1,630)	-
Operating profit before tax		45,007	312
Fair value movement on derivatives	19	(27,687)	(12,530)
Fair value movement on borrowings	18	(4,434)	-
Finance cost	6	(7,487)	(4,318)
Finance income	6	149	869
Profit/(loss) before income tax		5,548	(15,667)
Income tax benefit	7	-	-
Total profit/(loss) after tax attributable to the owners of Bathurst Resources Limited		5,548	(15,667)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
		Cents	Cents
Basic earnings/(loss) per share	24	0.40	(1.60)
Diluted earnings/(loss)earnings per share	24	0.40	(1.60)

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

Bathurst Resources Limited
Statement of Comprehensive Income
For the year ended 30 June 2018

	2018 \$'000	Restated 2017 \$'000
Total profit/(loss) after tax	5,548	(15,667)
Other comprehensive profit, net of tax		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translation	5	-
	<hr/>	<hr/>
Total comprehensive income/(loss) for the year, net of tax, attributable to the owners of the Company	5,553	(15,667)
	<hr/>	<hr/>

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

Bathurst Resources Limited

Balance Sheet

As at 30 June 2018

		2018	Restated
	Notes	\$'000	2017
			\$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	20,179	28,892
Restricted short term deposits		4,037	3,808
Trade and other receivables	10	3,903	4,199
Inventories	11	1,226	2,083
New Zealand emission units		396	233
Other financial assets		25	20
Total current assets		29,766	39,235
Non-current assets			
Property, plant and equipment	12	17,521	14,325
Mining licences, properties, exploration and evaluation assets	13	26,307	20,614
Crown Indemnity	21	351	-
Interest in Joint Venture	15	45,436	3,515
Other financial assets		114	114
Total non-current assets		89,729	38,568
TOTAL ASSETS		119,495	77,803
LIABILITIES			
Current liabilities			
Trade and other payables	17	5,735	7,677
Borrowings	18	1,895	23,697
Deferred consideration	20	1,258	953
Provisions	21	1,160	1,111
Total current liabilities		10,048	33,438
Non-current liabilities			
Trade and other payables	17	-	143
Borrowings	18	27,883	10,340
Derivative liabilities	19	-	17,809
Deferred consideration	20	6,350	6,975
Provisions	21	4,768	2,874
Total non-current liabilities		39,001	38,141
TOTAL LIABILITIES		49,049	71,579
NET ASSETS		70,446	6,224
EQUITY			
Contributed equity	22	263,179	249,092
Debt Instruments – equity component	22	43,788	-
Reserves	23	(31,837)	(32,636)
Accumulated losses		(204,684)	(210,232)
TOTAL EQUITY		70,446	6,224

These financial statements were authorised for issue on behalf of the Board of Directors on 27 August 2018.



Toko Kapea, Chairman



Russell Middleton, Director

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

Bathurst Resources Limited
Statement of Changes in Equity
For the year ended 30 June 2018

	Contributed Equity -\$'000	Debt Share Based Instrument Equity -\$'000	Share Based Payment -\$'000	Foreign Exchange -\$'000	Retained Earnings -\$'000	Re- organisation Reserve -\$'000	Total Equity -\$'000
1 July 2016	247,378	-	52	(154)	(194,565)	(32,760)	19,951
Comprehensive loss for the year	-	-	-	-	(15,667)	-	(15,667)
Share based payments expense	-	-	226	-	-	-	226
Contributions of equity	1,714	-	-	-	-	-	1,714
	<u>1,714</u>	<u>-</u>	<u>226</u>	<u>-</u>	<u>(15,667)</u>	<u>-</u>	<u>(13,727)</u>
30 June 2017 (restated)	249,092	-	278	(154)	(210,232)	(32,760)	6,224
Comprehensive profit for the year	-	-	-	5	5,548	-	5,553
Contributions of equity	14,087	43,788	-	-	-	-	57,875
Share based payments expense	-	-	794	-	-	-	794
	<u>14,087</u>	<u>43,788</u>	<u>794</u>	<u>5</u>	<u>5,548</u>	<u>-</u>	<u>64,222</u>
Balance at 30 June 2018	263,179	43,788	1,072	(149)	(204,684)	(32,760)	70,446

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

Bathurst Resources Limited**Statement of Cash Flows**

For the year ended 30 June 2018

		2018	2017
	Notes	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		47,934	41,155
Payments to suppliers and employees		(39,726)	(31,992)
Dividend from BT Mining	15	13,000	-
Net cash inflow from operating activities	26	21,208	9,163
Cash flows from investing activities			
Exploration and consenting expenditure		(292)	(889)
Mining assets (including capitalised waste moved in advance)		(8,581)	(5,759)
Property, plant and equipment purchases		(3,382)	(3,770)
Proceeds from disposal of property, plant and equipment		-	925
Restricted deposits		(230)	(1,225)
Deferred consideration		(903)	(809)
Advances paid to/further investment in BT Mining	15	(21,044)	(4,290)
BT Mining repayment of loan to the Company	15	9,084	-
Other		59	(19)
Net cash outflow from investing activities		(25,289)	(15,836)
Cash flows from financing activities			
Proceeds from borrowings		732	35,567
Interest received		195	81
Interest and other finance costs paid		(283)	(163)
Repayment of borrowings		(2,240)	(3,026)
Interest on debt instruments		(3,036)	(219)
Net cash (outflow)/inflow from financing activities		(4,632)	32,240
Net (decrease)/increase in cash and cash equivalents		(8,713)	25,567
Cash and cash equivalents at the beginning of the year		28,892	3,325
Cash and cash equivalents at the end of the year	9	20,179	28,892

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

1. Summary of significant accounting policies

A. General information

Bathurst Resources Limited (“Company” or “Parent”) 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 27 August 2018.

The financial statements presented as at and for the year ended 30 June 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 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.

C. 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.

D. Critical estimates, judgements and errors

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(i) Impairment

The future recoverability of the 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. This impacts both an assessment of whether impairment should be recognised, as well as if there are indicators that previously recognised impairment should be reversed.

(ii) Valuation of deferred consideration

In valuing the deferred consideration payable under business acquisitions management uses estimates and assumptions. This includes 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. The carrying amount of deferred consideration is set out in note 20.

1. Summary of significant accounting policies continued

D. Critical estimates, judgements and errors continued

(iii) Convertible Notes and Redeemable Convertible Preference Shares

The conversion feature of the Convertible Notes is included in Equity as Debt Instruments – equity component. The Group has made a judgement that the conversion feature of these debt instruments 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. Refer to Note 1(y) for further information on the treatment of the conversion feature.

(iv) Reserves & 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 and provisions for rehabilitation.

(v) Provision for rehabilitation

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 and related asset. The provision is reviewed at each reporting date and updated based on the best available estimates and assumptions at that time. The carrying amount of the rehabilitation provision is set out in Note 21.

(vi) Waste in advance

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

E. Principles of consolidation

Subsidiaries

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.

1. Summary of significant accounting policies continued

E. Principles of consolidation continued

Subsidiaries continued

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 is 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.

Joint arrangements

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 interests 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.

F. Foreign currency translation

(i) 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.

(ii) 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.

1. Summary of significant accounting policies continued

G. Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue from the sale of goods is recognised when there is an executed sales agreement at the time of delivery of the goods to customer, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and when title has passed.

(ii) Freight income

Revenue from freight services is recognised in the accounting period in which the services are provided. Revenue is not recognised until the service has been completed.

(iii) Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

H. Income tax

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 each jurisdiction 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.

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. However, 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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.

1. Summary of significant accounting policies continued

I. Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

J. Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and short term deposits, other financial assets, loans to related parties, deferred consideration, borrowings and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the income statement, transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes party to the contractual provisions of the instrument. 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 substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or are cancelled.

Financial assets carried at amortised cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those that are not expected to be recovered within the next 12 months.

Management determines the classification of its investments at initial recognition.

Loans and receivables are subsequently carried at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents in note 9 comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, and excluding restricted cash deposits.

Trade receivables

Trade receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

They are recognised initially at their fair value less transaction costs and subsequently measured at amortised cost using the effective interest method.

1. Summary of significant accounting policies continued

J. Financial instruments continued

(i) Non-derivative financial instruments continued

Deferred consideration

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. For further information on deferred consideration refer to note 20.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates. Borrowings denominated in foreign currency are re-translated at each reporting period to account for un-realised foreign exchange movements.

The fair value of the liability portion of a convertible instrument is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings 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.

(ii) Derivative financial instruments

Derivative instruments are initially recognised at fair value, and subsequently measured at fair value with movements in fair value recognised in profit or loss. Associated transaction costs are expensed as incurred.

From time to time the Group may use derivative financial instruments to hedge its exposure to commodity risks and foreign exchange risks arising from operational and financing activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

K. Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that an asset or group of assets is impaired.

Financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of an event that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows that can be reliably estimated.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

1. Summary of significant accounting policies continued

K. Impairment continued

Non-financial assets

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 licenses and properties assets, as well as property, plant and equipment are assessed for impairment collectively as part of their respective cash generating units.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

L. 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	25 years
- Mine infrastructure	3 – 8 years
- Plant and machinery	2 – 25 years
- Plant and machinery leased	Units of use
- Furniture, fittings and equipment	3 – 8 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 (note 1(k)).

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.

M. Mining and development properties

Mining licences and development properties include the cost of acquiring and developing mining properties, licenses, 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 assets 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.

1. Summary of significant accounting policies continued

N. Exploration and evaluation expenditure

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.

O. Waste 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 ("life of mine").

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 it 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.

P. Share-based payments

Share-based compensation benefits are provided to employees via the Bathurst Resources Limited Long Term Incentive Plan.

The fair value of performance rights granted under the Bathurst Resources Limited Long Term Incentive Plan 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.

1. Summary of significant accounting policies continued

Q. Provisions

Provision for rehabilitation

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 provision is based on management's best estimate of future costs of rehabilitation. When the provision is recognised, the corresponding rehabilitation costs are 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. Changes in the liability relating to rehabilitation of mine infrastructure and dismantling obligations are added to or deducted from the related 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 net present value of the provision is calculated using an appropriate 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.

R. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, those under which a significant portion of the risks and rewards of ownership are transferred to the company, are capitalised at the lease's inception at the fair value of the leased property, or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

S. Intangible assets – emissions trading units

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

T. Goods and Services Tax

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.

1. Summary of significant accounting policies continued

U. Contributed equity

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.

V. Earnings per share

(i) 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.

(ii) 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.

W. Segment reporting

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.

X. New accounting standards and interpretations not yet effective

At the date of authorisation of the financial statements, three accounting standards were on issue but not yet effective. The Group does not intend to apply these pronouncements until their effective date.

(i) NZ IFRS 9 Financial Instruments.

Effective for periods beginning on or after 1 January 2018, expected to be applied in the financial year ending 30 June 2019. The standard adds requirements related to the classification, measurement of financial instruments. No material impact is expected from the adoption of this standard.

(ii) NZ IFRS 15 Revenue from contracts with customers

Effective for periods beginning on or after 1 January 2018, expected to be applied in the financial year ending 30 June 2019. The standard details a comprehensive principles based approach on how to recognise revenue from contracts with customers. It is expected that this standard may affect the Group's recognition of certain revenue items but is not expected to have a material impact.

(iii) NZ IFRS 16 Leases

Effective for periods beginning on or after 1 January 2019, expected to be applied in the financial year ending 30 June 2020. The standard eliminates the distinction between operating and finance leases. A formal impact assessment is yet to be undertaken however this standard is not expected to have a material impact.

1. Summary of significant accounting policies continued

Y. Standards and Interpretations adopted during the year

The financial information presented for the year ended 30 June 2018 has been prepared using accounting policies consistent with those applied in the Group's 30 June 2017 financial statements, except for the restatement of the Company's Convertible Notes and Redeemable Convertible Preference Shares ("Convertible Instruments").

Restatement of Prior Year Comparatives - Convertible Instruments and subsequent modification

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

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

The Convertible Instruments at 30 June 2017 were denominated in AUD and the share price conversion also in AUD, meaning that at the point of converting these instruments into the Group's shares, no further cash would change hands and the instrument holder would receive the same number of shares on conversion date as at issue date. For this reason, the Group judged at that time that the conversion feature met the fixed for fixed test, with the conversion option being included in Equity as 'Debt Instruments – equity component' in the 30 June 2017 Financial Statements.

It is noted that when the debt principal in AUD is translated to the Group's functional currency (NZD), this does create variability in the amount recorded. The Group has re-stated at 30 June 2017 the conversion feature for the convertible instruments from equity to derivative liabilities to provide more relevant information about the effect of these convertible instruments.

On the 31 December 2017, the terms of the Convertible Notes were modified so that they are denominated in NZD and would convert to a fixed number of shares. This removes the translation from AUD to NZD variability for reporting purposes and satisfies the fixed for fixed test. This means the conversion feature is now classified as debt instruments – equity component within Equity.

A summary of the key disclosure changes to the convertible instruments as at 30 June 2017 are noted below:

	Classification		Dollar values (\$'000)	
	Original	Restated	Original	Restated
<i>Convertible Notes</i>				
Underlying host debt liability	Liability	Liability	10,428	6,809
Conversion option	Equity	Derivative Liability	1,380	17,647
<i>Redeemable Convertible Preference Shares</i>				
Underlying host debt liability	Liability	Liability	11,276	11,382
Conversion option	Equity	Derivative Liability	414	162

The impact on the loss recorded for 30 June 2017 was \$12.5m increase in fair value movement on derivatives expense, and \$1.0m increase in finance expenses. Consequently the loss per share attributable to the ordinary equity holders of the Company was restated as follows:

	Cents	
	Original	Restated
Basic loss per share for period ended 30 June 2017	(0.19)	(1.60)
Diluted loss per share for period ended 30 June 2017	(0.19)	(1.60)

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 presentation of segments for 30 June 2018 has been modified to that presented in the 30 June 2017 Financial Statements. This reflects a change in how management view business operations with the integration of BT Mining Limited ("BT Mining") (for further information refer note 15).

The Export segment represents the previous BRL operating segment Buller Coal and 100% of BT Mining's South Island export mine results. The Domestic segment represents the prior BRL Eastern Coal segment and 100% of the two BT Mining North Island domestic mines. BRL Corporate now also includes 100% of BT Mining Corporate.

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.

Three Bathurst customers met the reporting threshold of 10 percent of Bathurst's operating revenue in the year to 30 June 2018, contributing \$17.8m, \$6.4m and \$6.3m (2017: two customers contributing \$11.4m and \$5.7m).

Year ended 30 June 2018

	Export	Domestic	Corporate	TOTAL	Eliminate BT Mining	TOTAL BRL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	218,579	122,588	467	341,634	(293,455)	48,179
EBITDA¹	105,001	50,865	(16,217)	139,649	(131,190)	8,459
Share of equity accounted profit - BT Mining 65%	-	-	-	-	-	42,961
Income tax expense		-	(35,281)	(35,281)	35,281	-
Operating profit/(loss) after tax	98,437	38,718	(26,033)	111,122	(109,076)	*45,007
Fair value movements	-	-	(32,121)	(32,121)	-	(32,121)
Net finance costs	(782)	(1,416)	(13,159)	(15,357)	8,019	(7,338)
Comprehensive income/(loss) after tax	97,655	37,302	(106,271)	28,686	(66,094)	*5,553
<i>Amounts included in comprehensive income(loss)</i>						
Depreciation and amortisation	6,083	10,678	130	16,891	(12,006)	4,885

* Note that Total BRL operating profit and comprehensive income does not equal the sum of Total Consolidated minus elimination of BT Mining, as the Company's 65% of BT Mining's profit is added back.

¹ Earnings before net finance costs (including interest), tax, depreciation, amortisation, impairment, fair value movement on deferred consideration, and fair value movement on derivatives and borrowings

2. Segment information continued

Year ended 30 June 2017

	Export \$'000	Domestic \$'000	Corporate \$'000	TOTAL BRL \$'000
Revenue	250	41,386	1,442	43,078
EBITDA	(1,184)	15,949	(4,797)	9,970
Profit/(loss) after tax	(1,294)	4,604	(18,977)	(15,667)
Comprehensive income/(loss) after tax	(1,294)	4,604	(18,977)	(15,667)
Depreciation and amortisation	44	10,529	59	10,632

3. Sales revenue

	2018 \$'000	2017 \$'000
Coal sales	35,831	29,063
Freight	11,986	12,528
Sales revenue	47,817	41,591

4. Cost of sales

Raw materials, mining costs and consumables used	7,939	7,124
Freight costs	12,494	11,508
Mine labour costs	9,096	6,253
Amortisation expenses	2,454	7,680
Changes in inventories of finished goods and work in progress	871	(186)
Total cost of sales	32,854	32,379

5. Administrative and other expenses

Administrative and other expenses includes the following items:

Remuneration of auditors for audit and review of financial statements	163	176
Directors fees	196	282
Legal fees	2,131	1,112
Consultants	933	1,144
Employee benefit expense	2,288	2,557
Rent	287	271
Share based payments expense	794	226

6. Net finance costs	Note	2018 \$'000	Restated 2017 \$'000
Interest income		149	142
Foreign exchange gain		-	296
Unrealised foreign exchange gain on debt instruments		-	431
Total finance income		149	869
Success fee		(854)	-
Interest expense		(458)	(357)
Interest expense on debt instruments		(3,396)	(2,965)
Realised foreign exchange loss		(87)	-
Unrealised foreign exchange loss on debt instruments		(1,764)	-
Provisions: unwinding of discount	21	(255)	(210)
Deferred consideration: unwinding of discount	20	(673)	(786)
Total finance costs		(7,487)	(4,318)
Total net finance costs		(7,338)	(3,449)
7. Income tax benefit			
		2018	Restated
		\$'000	2017
			\$'000
(a) Income tax benefit			
Current tax		(2,108)	(4,275)
Deferred tax		2,108	4,275
Income tax benefit		-	-
Reconciliation of income tax benefit to prima facie tax payable			
Profit/(loss) before income tax		5,548	(15,667)
Tax at the standard New Zealand rate of 28%		1,554	(4,387)
<i>Tax effects of amounts not assessable in calculating taxable income:</i>			
Share of BT Mining profit		(12,029)	217
Dividend from BT		5,056	-
Fair value movement on derivatives and borrowings		8,994	3,508
Other permanent adjustments		1,717	468
Tax losses not recognised		13	439
Other deferred tax movements		(5,305)	(245)
Income tax benefit		-	-
Further information relating to deferred tax is set out in note 16.			
(b) Imputation credits			
New Zealand imputation credit account		5,055	
Available for use in future periods		5,055	-

8. Impairment losses

	Note	2018	2017
		\$'000	\$'000
Impairment of exploration and evaluation assets	13	630	-
Impairment of mining assets	13	1,000	-
Total impairment losses		1,630	-

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

- Bathurst Domestic Coal, as the coal yard cannot generate its own cash flows independent of the mine. Bathurst Domestic Coal includes Canterbury Coal, 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 allow 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

No indicators of impairment were present at 30 June 2018. Some specific historic balances unrelated to Bathurst's current mining operations were written off during the year as they could no longer be supported. Apart from these specific items, no impairment was recorded as at 30 June 2018.

Buller Coal Project

The Buller Coal Project was previously fully impaired in the year ended 30 June 2015, in the context of reducing coking coal prices. The Buller Coal Project has remained on care and maintenance and Management has no immediate plans to reinstate the project. The CGU remains fully impaired at 30 June 2018.

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 2018.

9. Cash and cash equivalents

Cash at bank and on hand	20,179	3,950
Cash held in escrow	-	24,942
Cash and cash equivalents	20,179	28,892

The balance held in escrow at 30 June 2017 was used to settle the acquisition of certain Solid Energy assets via the Company's joint venture BT Mining (for further information see note 15).

10. Trade and other receivables

Trade receivables	3,926	3,264
Less: provision for impairment	(500)	(500)
Receivable from BT Mining	250	823
Other receivables and prepayments	227	612
Total trade and other receivables	3,903	4,199

The provision for impairment relates to the Company's joint venture Bathurst Industrial Coal Limited.

11. Inventories

	2018	2017
	\$'000	\$'000
Raw materials and stores	424	857
Finished goods	742	1,010
Other	60	34
Total inventories	1,226	1,901

12. Property, plant and equipment

	Freehold Land	Buildings	Mine Infrastructure	Plant & Machinery	Furniture fittings and equipment	Work in Progress	Total
Year ended 30 June 2018	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000
Opening net book value	1,929	756	180	10,496	184	780	14,325
Additions	400	40	4	4,447	172	640	5,704
Transfers	-	6	102	444	200	(752)	-
Depreciation	-	(109)	(21)	(2,180)	(120)	-	(2,431)
Assets held for sale and other disposals	-	(3)	-	(31)	(2)	(40)	(77)
Closing net book value	2,329	690	265	13,175	434	629	17,521
As at 30 June 2018							
Cost	15,786	5,978	2,795	27,953	2,602	12,752	67,867
Accumulated depreciation and impairment	(13,457)	(5,288)	(2,530)	(14,778)	(2,168)	(12,124)	(50,346)
Closing net book value	2,329	690	265	13,175	434	629	17,521
Year ended 30 June 2017							
Opening net book value	1,970	796	347	8,598	219	18	11,948
Additions	847	68	14	3,581	70	775	5,355
Transfers	-	-	-	13	-	(13)	-
Depreciation	(889)	(108)	(181)	(1,670)	(104)	-	(2,952)
Assets held for sale and other disposals	-	-	-	(26)	-	-	(26)
Closing net book value	1,929	756	180	10,496	184	780	14,325
As at 30 June 2017							
Cost	15,386	5,935	2,688	23,094	2,233	12,904	62,240
Accumulated depreciation and impairment	(13,457)	(5,179)	(2,509)	(12,598)	(2,048)	(12,124)	(47,915)
Closing net book value	1,929	756	180	10,496	184	780	14,325

12. Property, plant and equipment continued

Included in property, plant and equipment above are the following amounts where the Group is a lessee under a finance lease:

	2018	2017
	\$'000	\$'000
Cost	7,934	6,473
Accumulated depreciation	(2,094)	(1,232)
Net book value	5,840	5,241

13. Mining licences, properties, exploration, and evaluation assets

Exploration and evaluation assets

Opening balance	2,022	1,245
Expenditure capitalised	295	777
Impairment recognised	(630)	-
Transfer to mining licences and property assets	(1,375)	-
Total exploration and evaluation assets	312	2,022

Mining licenses and property assets

Opening balance	18,592	18,882
Expenditure capitalised	301	1,530
Transfer from exploration and evaluation assets	1,375	-
Amortisation	(2,426)	(7,680)
Impairment recognised	(1,000)	-
Abandonment provision movement	876	132
Waste moved in advance capitalised	8,277	5,728
Total mining licenses and property assets	25,995	18,592
Total mining licenses, property, exploration and evaluation assets	26,307	20,614

14. Investment in subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2018	2017
			%	%
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	-

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

Bathurst Resources (Canada) Limited was incorporated in June 2018 and is the entity via which the Company invests in its new joint venture NWP Coal Canada Limited – for further information refer to note 30.

15. Interest in Joint Venture

BT Mining Limited

(a) Balances held in BT Mining

	2018	2017
	\$'000	\$'000
Loan to BT Mining	-	4,290
Equity investment	16,250	-
65% share of retained earnings net of dividends received	29,186	(775)
	45,436	3,515
Opening Balance	3,515	-
Increase in loan to BT Mining	21,044	4,290
Conversion of \$16.25m from loan to equity investment (nil net movement)	-	-
Receipt of loan repayment	(9,084)	-
Receipt of dividend	(13,000)	-
65% share of profit/(loss)	42,961	(775)
	45,436	3,515
Closing Balance	45,436	3,515

The Company holds a 65% shareholding in BT Mining, which on the 31 August 2017 attained ownership of the mining permits and licenses 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.

The Company's share of BT Mining's profit recognised at 30 June 2018 reflects 10 months of operations. The economic lock box arrangement that covered 1 July 2017 to 31 August 2017 was reflected in the final purchase price that BT Mining paid for the assets.

\$16.25m of shareholder loans to BT Mining were converted to represent an equity investment in BT Mining through the issue of 16,250 shares. The remaining loan balance was paid back to BRL during the year.

The Company considers BT Mining to be a joint venture with BT Mining's other shareholder, Talley's Energy Limited. This is because unanimous approval is required on activities that significantly affect BT Mining's operations. As such BT Mining is accounted for using the equity method.

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

15. Interest in Joint Venture continued

(b) BT Mining Balance Sheet

	2018	2017
	\$'000	\$'000
Cash	7,780	415
Trade and other receivables	48,176	-
Inventories	35,348	-
New Zealand emission units	1,243	-
Current assets	92,547	415
Property, plant and equipment	41,454	1,207
Mining licences, properties, exploration and evaluation assets	27,273	-
Crown indemnity	53,399	-
Deferred tax asset	1,646	-
Deposit paid to Solid Energy	-	4,600
Non-current assets	123,772	5,807
Total assets	216,319	6,222
Trade and other payables	28,526	814
Tax payable	19,048	-
Derivative liabilities	3,348	-
Deferred consideration	11,900	-
Provisions	882	-
Current liabilities	63,704	814
Loans payable to shareholders	-	6,600
Provisions	67,614	-
Deferred consideration	15,100	-
Non-current liabilities	82,714	6,600
Total liabilities	146,418	7,414
Net assets	69,901	(1,192)
Share Capital	25,000	-
Retained earnings net of dividends paid	44,901	(1,192)
Total equity	69,901	(1,192)
<i>Reconciliation to BRL's interest in BT Mining</i>		
65% share of loans payable to shareholders	-	4,290
65% share of share capital	16,250	-
65% share of retained earnings net of dividends paid	29,186	(775)
BRL's interest in BT Mining	45,436	3,515

Bathurst Industrial Coal Limited

The Company holds 50% shareholding in Bathurst Industrial Coal Limited. This venture has ceased to operate and it is intended that this entity will be wound up.

16. Deferred tax

	Note	2018 \$'000	2017 \$'000
The balance comprises temporary differences attributable to:			
Tax losses		13,819	14,621
Employee benefits		257	196
Provisions		803	1,322
Mining licenses		16,984	16,661
Exploration and evaluation expenditure		548	421
Property, plant and equipment		8,086	8,175
Total deferred tax assets		40,497	41,396
Waste moved in advance		(787)	(787)
Total deferred tax liabilities		(787)	(787)
Net deferred tax asset not recognised		(39,710)	(40,609)
Net deferred tax asset		-	-

The Group has not recognised a net deferred tax asset of \$39.7m (2017: \$40.6m) on the basis that it is not probable these losses will be utilised in the near future. Carried forward tax losses are only carried forward on the basis of meeting relevant shareholder continuity rules.

17. Trade and other payables

Current			
Trade payables		1,566	2,604
Accruals		1,703	1,849
Employee benefit payable		1,238	948
Other payables		306	626
Interest payable		922	1,650
		<u>5,735</u>	<u>7,677</u>
Non-current			
Other payables		-	143
Total trade and other payables		5,735	7,820

18. Borrowings

			Restated
Current			
<i>Secured</i>			
Lease liabilities		1,654	1,582
Subordinated bonds		-	10,733
Bank borrowings backing property, plant and equipment purchases		241	-
<i>Unsecured</i>			
Redeemable convertible preference shares ("RCPS")	1 (y)	-	11,382
Total current borrowings		1,895	23,697

18. Borrowings continued

		2018	Restated
	Note	\$'000	2017
			\$'000
Non-current			
<i>Secured</i>			
Lease liabilities		3,714	3,531
Bank borrowings backing property, plant and equipment purchases		287	-
Subordinated bonds		11,689	-
<i>Unsecured</i>			
Convertible notes	1 (y)	12,193	6,809
Total non-current borrowings		27,883	10,340
Total borrowings		29,778	34,037

A summary of key details of the Company's debt instruments (excluding lease liabilities) at 30 June 2018 are as follows:

Instrument	Denomination currency	Face Value \$m	Coupon rate %	Issue Date	Maturity date	Per note conversion # shares
Convertible Notes	NZD	\$4.0m	8%	22/07/2016	22/07/2019	45,455
Convertible Notes	NZD	\$8.6m	8%	1/02/2017	1/02/2021	26,667
Subordinated Bonds	USD	\$7.9m	10%	1/02/2017	1/02/2020	n/a

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.

RCPS

The RCPS were fully converted to shares at the election of the Company on 18 September 2017. The amortised cost of the host debt liability and fair value of the conversion option recorded as a derivative liability were transferred to Equity on this date. For further information refer to note 19 and 22.

Convertible Notes ("Notes")

Conversion

- July 2017 issue - the Notes can be converted into ordinary shares at the election of the holder any time until 10 days prior to maturity date.
- February 2018 issue - the Notes can be converted into ordinary shares at the election of the holder any time until 10 days before maturity date.

Ranking

The 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.

Modification

A modification to the terms of the convertible notes effective 31 December 2017 amended the denomination currency of the instruments from AUD to NZD (refer note 1 Y). On this date, the convertible notes were re-recognised at the fair value of both the host debt liability as well as the conversion option.

The fair value of the liability portion noted above was determined by discounting future cash flows including interest payments using a market interest rate for an equivalent non-convertible bond, with the difference in value on re-recognition booked to the Income Statement as fair value movements on borrowings. The fair value of the conversion option is included in Equity (refer note 22).

18. Borrowings continued

Subordinated Bonds

Redemption

The Company is entitled to elect early redemption at any time after the SPA becoming unconditional and after the 1 February 2019. If the Subordinated Bonds are redeemed early the Company must pay 104% of the issue price.

Ranking

The Subordinated Bonds rank equally with existing and future bonds and without priority or preference amongst themselves. The Subordinated bonds are formally secured by the Company's share ownership in BT Mining..

19. Derivative Liabilities

	2018	Restated
	\$'000	2017
		\$'000
RCPS	-	162
Convertible notes	-	17,647
	-	17,809
Total non-current derivative liabilities	-	17,809

Derivative liabilities measured at fair value through profit or loss at 30 June 2017 consisted of the conversion feature of the convertible instruments.

As the RCPS were fully converted to shares, the derivative value on the date of conversion was transferred to Equity (refer note 22).

The change in denomination of the convertible notes qualified as a significant modification to the original contract terms. The instruments were de-recognised and re-recognised under the new terms, with the fair value of the conversion option transferred to Equity (refer note 22).

Fair value was independently determined using a Black Scholes Model for the convertible notes and a binomial model for the RCPS (as they are convertible at the option of the Company) 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.

20. Deferred consideration

	2018	2017
	\$'000	\$'000
Current		
Acquisition of subsidiary deferred consideration	1,258	953
Non-current		
Acquisition of subsidiary deferred consideration	6,350	6,975
	7,608	7,928
Total deferred consideration	7,608	7,928
<i>Movement</i>		
Opening balance	7,928	9,670
Unwinding of discount	673	786
Fair value adjustment	(102)	(1,749)
Consideration paid during the year	(891)	(779)
	7,608	7,928
Closing balance	7,608	7,928

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

20. Deferred consideration continued

(a) Buller Coal Project

The Company acquired Buller Coal Limited (formally 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 submit a higher royalty on coal sold from the respective permit areas until such time the performance payments are made. The option to pay a higher royalty rate has been assumed in the valuation and recognition of deferred consideration.

Bathurst has and will continue to remit royalty payments to L&M Coal Holdings (the vendor) on all Escarpment coal sold as required by the Royalty Deed and this includes ongoing sales from stockpiles. Further information is included in note 29 (d).

(b) 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 latest New Zealand 10 year government bond rate and production profile at a set rate per tonne of coal produced. Sensitivity analysis on key inputs to the estimation of the deferred consideration liability are as follows:

Key input	Change in input	2018	2018
		Increase in estimate	Decrease in estimate
		\$'m	\$'m
Discount rate	Decrease/increase by 2%	(0.1)	0.1
Production levels	Increase/decrease by 5%	(0.1)	0.1
Coal prices	Non-applicable as set at fixed rate per tonne		

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 a risk adjusted New Zealand 10 year government bond rate of 8.85% (2017: 8.98%), projected production profile, and forecast domestic coal prices. These are based on the Group's forecasts which are approved by the Board of Directors. Sensitivity analysis on key inputs to the estimation of the deferred consideration liability are as follows:

Key input	Change in input	\$'m	\$'m
Discount rate	Decrease/increase by 2%	(0.5)	0.5
Production levels	Increase/decrease in reserves by 5%	(0.3)	0.3
Coal prices	Increase/decrease by \$5 per tonne	(0.3)	0.3

Security

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

21. Provisions

	2018	2017
	\$'000	\$'000
Current		
Rehabilitation	1,160	1,111
	<u>1,160</u>	<u>1,111</u>
Non-current		
Rehabilitation	4,768	2,874
	<u>4,768</u>	<u>2,874</u>
Total provisions	<u>5,928</u>	<u>3,985</u>
 <i>Rehabilitation provision movement:</i>		
Opening balance	3,985	3,714
Change recognised in the mining and property asset	905	(132)
Unwinding of discount	255	210
Recognition of provision and corresponding crown indemnity	351	-
Other changes recognised in the income statement	432	193
	<u>4,978</u>	<u>4,085</u>
Closing balance total rehabilitation provision	<u>5,928</u>	<u>3,985</u>

Rehabilitation provision

Provision is made for the future rehabilitation of areas disturbed in the mining process. Management estimates the provision based on expected levels of rehabilitation, areas disturbed and an appropriate discount rate. A reasonable change in discount rate assumptions would not have a material impact on the provision.

During the year the Sullivan mine permit was acquired. This permit abuts the Escarpment mine site. The crown fully indemnified any rehab costs that relate to pre-acquisition.

22. Equity

	2018	2017
	Number of	Number of
	shares	shares
	000s	000s
(a) Contributed Equity – ordinary fully paid shares		
Opening balance	986,028	964,483
Issue of shares from conversion of RCPS	513,818	-
Issue of shares from conversion of Convertible Notes	13,318	21,545
	<u>1,513,164</u>	<u>986,028</u>
Closing balance	<u>1,513,164</u>	<u>986,028</u>

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.

The RCPS were fully converted to shares at the option of the Company on 18 September 2017. 11,304 notes were converted at 1,000 AUD per note at 2.2 cents per share.

Also during the year, 293 notes of the July 2016 issue of Convertible Notes were converted to shares at the option of the note holder, at 1,000 AUD per note at 2.2 cents per share (June 2017: 474 notes).

22. Equity continued

	2018	Restated 2017
	\$'000	\$'000
(b) Contributed Equity – value of issued equity		
Opening balance	249,092	247,378
Issue of shares from conversion of RCPS	12,105	-
Issue of shares from conversion of Convertible Notes net of issue costs	1,982	1,714
	<u>263,179</u>	<u>249,092</u>
Closing balance	263,179	249,092

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

(c) Debt instruments – equity component

Equity component of convertible notes	43,788	-
	<u>43,788</u>	<u>-</u>
Closing balance	43,788	-

The option to convert the convertible notes into shares is accounted for as equity at 30 June 2018 (refer note 1 Y for further information) measured at fair value.

For the fair value valuation methodology of the conversion options transferred to equity on conversion of the notes, and included in Debt instruments – equity component, refer to note 18.

23. Reserves

	2018	2017
	\$'000	\$'000
Share based payment reserve	1,072	278
Foreign exchange translation reserve	(149)	(154)
Re-organisation reserve	(32,760)	(32,760)
	<u>(31,837)</u>	<u>(32,862)</u>
Total reserves	(31,837)	(32,862)

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.

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.

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 28th June 2013. A reorganisation reserve was created, which reflects the previous retained losses of subsidiaries.

24. Earnings per share

	2018	2017
(a) Earnings per share ("EPS") attributable to ordinary equity holders	Cents	Cents
Basic EPS	0.40	(1.60)
Diluted EPS	0.40	(1.60)
(b) Reconciliation of earnings used in calculation	\$'000	\$'000
Earnings from continued operations	5,548	(15,667)
Earnings used in calculation of basic and diluted EPS	5,548	(15,667)
	Number of	Number of
	shares	shares
(c) Weighted average number of shares used as denominator	000s	000s
Weighted average number of shares	1,399,047	977,645
Used in calculation of basic and diluted EPS	1,399,047	977,645

Potential ordinary shares from the convertible notes and RCPS and performance rights are excluded from the calculation of diluted earnings per share as they are anti-dilutive.

25. Share-based payments

(a) Transaction performance rights

Transaction performance rights were issued to certain key executives during the year, conditional on the successful signing of a sale and purchase agreement for the acquisition of certain Solid Energy mine site assets via the Company's joint venture vehicle, BT Mining. These form part of the Group's overall retention strategy, and recognises their instrumental roles in relation to the negotiation and signing of the contract. These were approved by Shareholders at the 2016 AGM.

(b) Completion performance rights

Completion performance rights were issued to executive directors in recognition of the completion of the sale and purchase agreement for the acquisition of certain assets from Solid Energy, and the close and transition of those assets. These form part of the Group's overall retention strategy, and recognises their instrumental roles in relation to the successful completion of the acquisition. These were approved by Shareholders at the 2017 AGM.

(c) Retention performance rights

Retention performance rights were issued to senior executives in recognition of the successful close and transition of certain assets from Solid Energy to the Company. These form part of the Group's overall retention strategy and were approved by the Board.

(d) Key details of performance rights

Performance rights granted carry no dividend or voting rights. When exercised each performance right converts into one fully paid ordinary share. The exercise price of all performance rights is nil.

The fair value of these rights was assessed as equal to the market value of the Company's share price at grant date.

25. Share based payments continued

Grant date	Vesting date	Opening balance 000s	Issued 000s	Expired/ forfeited 000s	Closing balance 000s	Exercisable 000s
<i>Transaction Performance Rights</i>						
6 February 17	31 December 18	11,500	-	-	11,500	-
<i>Completion performance rights</i>						
21 December 17	31 December 18	-	1,981	-	1,981	-
<i>Retention performance rights</i>						
3 April 18	31 December 18	-	3,400	(750)	2,650	-
		<u>11,500</u>	<u>5,381</u>	<u>(750)</u>	<u>16,131</u>	<u>-</u>

26. Reconciliation of profit/(loss) before income tax to net cash flow from operating activities

	2018 \$'000	2017 \$'000
Profit/(loss) before income tax	5,548	(15,667)
Dividend received from BT Mining	13,000	-
<i>Non-cash items:</i>		
Unrealised FX movements	1,767	(431)
Depreciation and amortisation expense	4,885	10,632
Share of (profit)/loss of BT Mining	(42,961)	775
Rehab provision movement and discount unwinds	741	184
Fair value movements on derivatives	27,687	12,530
Fair value movements on borrowings	4,434	-
Unwinding of discount rate and fair value adjustment on deferred consideration	571	(963)
Share based payment expense	794	226
Impairment	1,630	-
Other	75	18
<i>Non-operating items:</i>		
Loss/(gain) on sale of property, plant and equipment	21	(110)
Interest on debt instruments	3,396	1,325
Realised foreign exchange gain on borrowing activities	-	(357)
Other	111	24
Movement in working capital	(491)	895
Cash flow from operating activities	<u>21,208</u>	<u>9,081</u>

27. 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.

(a) Market risk

(i) 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 and cash flow forecasting.

The Group had minimal operating exposure to foreign currency risk at the end of the reporting period. The Group assesses potential foreign currency exposures on foreign currency denominated debt instruments as follows:

Foreign Exchange Rate movement

Debt Instrument	Denomination currency	2018	2017	2018	2017
		+3%	+3%	-3%	-3%
		\$'000	\$'000	\$'000	\$'000
Subordinated Bonds	USD	341	314	(362)	(334)

The above assessment is estimated based on future foreign exchange movements similar to historical rate movements for the two years to 30 June 18, on the face value of the underlying debt instruments.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. 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.

Financial instruments which potentially subject the Group to credit risk consist primarily of cash and cash equivalents, short term deposits, as well as credit exposures to our customers including outstanding receivables.

The credit risk on liquid funds is limited because the counterparties are banks with credit ratings of AA-, with funds required to be invested with a range of separate counterparties.

The Group's maximum exposure to credit risk for trade and other receivables and loans to related parties is its carrying value.

(c) 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 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 as the impact of discounting is not significant.

27. Financial risk management continued

(c) Liquidity risk continued

Contractual maturities of the Group's non-derivative financial liabilities were as follows:

	Less than 6 months	6 - 12 months	Between 1 – 2 years	Between 2 – 5 years	Over 5 years	Total contractual flows
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2018						
Trade and other payables	5,803	-	-	-	-	5,803
Borrowings ²	1,100	1,082	17,130	9,033	-	28,345
Finance leases ³	1,057	1,057	2,345	1,906	-	6,365
Deferred consideration	636	636	1,226	3,775	4,786	11,059
Total	8,596	2,775	20,701	14,714	4,786	51,572
30 June 2017						
Trade and other payables	7,677	-	143	-	-	7,820
Borrowings	1,886	13,390	2,027	25,142	-	42,445
Finance leases	904	929	1,224	2,623	-	5,680
Deferred Consideration	460	497	1,172	3,620	7,268	13,017
Total	10,927	14,816	4,566	31,385	7,268	68,962

(d) 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.

(e) Financial instruments by category

	2018 \$'000	2017 \$'000
Financial Assets		
<i>Loans and receivables</i>		
Cash and cash equivalents	20,179	28,892
Restricted short term deposits	4,037	3,808
Trade and other receivables	3,903	4,032
Loans to related parties	-	3,721
Other financial assets	139	134
Total	28,258	40,587

² Borrowings in this context 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 interest and principal repayments may not occur.

³ Total contractual cash flows equal minimum lease payments plus interest.

27. Financial risk management continued

(e) Financial risks by category continued

	2018	2017
	\$'000	\$'000
Financial Liabilities		
<i>Amortised Cost</i>		
Trade and other payables	5,803	7,820
Borrowings	29,778	34,037
<i>Fair Value</i>		
Deferred consideration	7,608	7,928
Derivative liabilities	-	17,809
	43,189	67,594
Total	43,189	67,594

(f) Fair value measurements

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 on-going 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 a fair value hierarchy of level 3 is deferred consideration. This is discussed further in note 20.

Debt instruments in Note 18 are carried at amortised cost. Their fair values have been measured at a fair value hierarchy of level 2 as noted below:

	2018		2017	
	Fair Value	Carrying Value	Fair Value	Carrying Value
	\$'000	\$'000	\$'000	\$'000
Instrument				
Subordinated Bonds	12,175	11,689	10,812	10,733
Convertible Notes	12,652	12,193	10,413	10,428

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

28. Key management personnel

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

Key management personnel compensation

	Short term benefits \$'000	Share based payments \$'000	Total \$'000
30 June 2018			
Management	2,172	684	2,856
Directors	196	110	306
Total	2,368	794	3,162
30 June 2017			
Management	2,032	82	2,114
Directors	247	144	391
Total	2,279	226	2,505

29. Commitments and contingent liabilities

(a) Capital commitments

There was no capital expenditure contracted for at the reporting date but not recognised as a liability (2017: Nil).

(b) Lease commitments

(i) Non-cancellable operating leases

The Group leases various offices, accommodations, and equipment under non-cancellable operating leases expiring within one to five years. The leases have varying terms, escalation clauses and renewal rights.

Commitments for non-cancellable minimum lease payments are payable as follows:

	2018 \$'000	2017 \$'000
Lease commitments		
Within one year	287	123
Later than one year but not later than five years	608	40
Total lease commitments	895	163

Finance leases

The Group leases various plant and equipment expiring within one to five years. Refer to note 27 for further information.

(c) 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.

29. Commitments and contingent liabilities continued

(d) Contingent assets and liabilities

On 23 December 2017, the Company 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 20. On 20 August 2018 the Company advised that it received an unfavourable judgement from the High Court on this matter.

The Court held that the first performance payment had been triggered as royalties were not being paid on a reasonable level (undefined by the Court) of production. The Company has lodged an appeal to the Court of Appeal against this decision and is also seeking a stay of execution of the judgement. The Company believes that it is more likely than not that it will be successful in the Court of Appeal.

30. Events after the reporting period

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

(a) New Joint Venture with Jameson Resources Limited

On the 12 July 2018 the Company publicly announced the close of a new joint venture deal with Jameson Resources Limited (ASX:JAL). The deal represents an 8% equity investment in Jameson's previously wholly owned Canadian subsidiary, NWP Coal Canada Limited ("NWP") and investment in NWP's key asset, the Crown Mountain Coking Coal project.

On this same date, the Company made its first capital investment in NWP of \$4m CAD. These funds are being used to fund the 2018 summer exploration programme. Up to the date of releasing these financial statements, the Company has made a further \$832k CAD investment in NWP in exchange for preference shares. These payments are being used to fund the bankable feasibility study and other operating needs. Once a further \$7.5m CAD investment has been reached, the preference shares will be converted to normal equity shares of NWP.

The Company 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 NWP will be accounted for using the equity method in the 31 December 2018 financial statements.

(b) Share buybacks

The Board approved an on-market share buyback on the 27 August 2018, as part of the Company's ongoing capital management strategy. Up to 75m ordinary shares will be bought back in the scheme, over a 12-month period beginning 28 August 2018.

Unaudited proportionate consolidation presentation of Bathurst and BT Mining Operations

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

Prior period comparatives are not provided, as BT Mining only began operating on 1 September 2017.

Consolidated Income Statement

	2018 \$'000
Revenue	237,083
Less: cost of sales	(133,981)
Gross Profit	103,102
Other income	1,486
Depreciation	(6,545)
Administrative and other expenses	(17,855)
Fair value loss on deferred consideration	(5,684)
Gain on disposal of fixed assets	71
Impairment losses	(1,630)
Operating profit before tax	72,945
Fair value movement on derivatives	(27,687)
Fair value movement on borrowings	(4,434)
Finance cost	(12,699)
Finance income	356
Profit before income tax	28,481
Income tax expense	(22,933)
Total profit after tax attributable to the owners of Bathurst Resources Limited	5,548

Consolidated Balance Sheet

	2018
ASSETS	\$'000
Current assets	
Cash and cash equivalents	25,236
Restricted short term deposits	4,037
Trade and other receivables	35,217
Inventories	24,203
New Zealand emission units	1,204
Other financial assets	25
	89,922
Total current assets	
Non-current assets	
Property, plant and equipment	44,466
Mining licences, properties, exploration and evaluation assets	44,034
Crown Indemnity	35,060
Deferred tax asset	1,070
Other financial assets	114
	124,744
Total non-current assets	124,744
TOTAL ASSETS	214,666
LIABILITIES	
Current liabilities	
Trade and other payables	24,277
Tax payable	12,381
Borrowings	1,895
Deferred consideration	8,993
Provisions	1,733
	51,455
Total current liabilities	51,455
Non-current liabilities	
Borrowings	27,883
Deferred consideration	16,165
Provisions	48,717
	92,765
Total non-current liabilities	92,765
TOTAL LIABILITIES	144,220
NET ASSETS	70,446
EQUITY	
Contributed equity	263,179
Debt Instruments – equity component	43,788
Reserves	(31,837)
Accumulated losses	(204,684)
	70,446
TOTAL EQUITY	70,446

Bathurst Resources Limited
Additional Information
For the year ended 30 June 2018

Consolidated Cash Flow	2018
	\$'000
Cash flows from operating activities	
Receipts from customers	209,945
Payments to suppliers and employees	(143,755)
Taxes paid	(11,621)
	<hr/>
Net cash inflow from operating activities	54,569
Cash flows from investing activities	
Exploration and consenting expenditure	(337)
Mining assets (including elevated stripping)	(21,696)
Property, plant and equipment purchases	(30,666)
Proceeds from disposal of property, plant and equipment	92
Restricted deposits	(230)
Payment of deferred consideration	(5,159)
BT Mining repayment of opening loan balance to the Company	4,290
Other	59
	<hr/>
Net cash outflow from investing activities	(53,647)
Cash flows from financing activities	
Proceeds from borrowings	20,070
Repayment of borrowings	(21,578)
Interest on debt instruments	(3,036)
Interest received	402
Interest paid	(555)
Finance facility fees	(150)
	<hr/>
Net cash outflow from financing activities	(4,847)
Net decrease in cash and cash equivalents	(3,926)
Cash and cash equivalents at the beginning of the year	29,162
	<hr/>
Cash and cash equivalents at the end of the year	25,236
	<hr/>



Independent Auditor's Report

To the shareholders of Bathurst Resources Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Bathurst Resources Limited (the company) and its subsidiaries (the group) on pages 3 to 39:

- i. present fairly in all material respects the Group's balance sheet as at 30 June 2018 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 balance sheet as at 30 June 2018;
- the consolidated income statement, statements of other 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 group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('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.

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



Scoping

The scope of our audit is designed to ensure that we perform adequate work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the financial reporting systems, processes and controls, and the industry in which it operates.

The context for our audit is set by the group's major activities in the financial year ended 30 June 2018. In August 2017 the Group completed through its material equity accounted joint venture the acquisition of certain Solid Energy New Zealand mining assets. The consolidated financial statements includes the material equity accounted profit share for the period which is significant to the Group as a whole and was a focus of our audit for the year ended 30 June 2018.



Emphasis of matter – Prior year restatement

We draw attention to Note 1(Y) in the consolidated financial statements. Management restated the prior year financial statements where the conversion feature of the convertible notes was treated as equity instead of a derivative liability, to adopt the treatment as defined by IFRIC Update April 2005. As part of our audit of the 30 June 2018 financial statements audit, we audited the adjustments described in Note 1(Y) that were applied to amend the 30 June 2017 financial statements.

In our opinion, such adjustments are appropriate and have been properly applied. Our opinion is not modified in respect of this matter.



Emphasis of matter – Contingent liabilities

We draw attention to Note 29(d) in the consolidated financial statements which discloses the unfavorable judgement 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 and is also seeking a stay of execution of the judgement.

No liability has been recognised as at 30 June 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.



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 \$2,400,000 determined with reference to a benchmark of group's profit before tax from continuing operations, adjusted for financial instrument fair value movements and interest costs. We chose the benchmark because, in our view, this is a key measure of the group's performance



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.



The key audit matter

How the matter was addressed in our audit

Deferred considerations

Refer to Note 20 to the Financial Report.

The fair value of the deferred consideration in respect of previous mine acquisitions was \$7.6 million at 30 June 2018.

The equity accounted joint venture BT Mining Limited includes deferred consideration of \$27 million.

Significant judgment is applied by in relation to key inputs into the discounted cash flow models (models) to estimate the fair value of deferred consideration. Key inputs include estimated coal production level, future coal prices, the timing of cash flows and a discount rate based on the risk free rate plus a mine-specific risk premium to reflect the risk that is not incorporated into the estimated future cash flows.

This was an area of audit focus because of the estimation uncertainties and significant judgements applied by Management in estimating future coal prices, production levels and timing of cash flows and the sensitivities to be disclosed.

Our audit procedures over Management's calculation of its estimate of the future deferred consideration payable included the following:

- Sighting the sale and purchase agreements and agreeing the terms of the deferred consideration obligations related to each mine.
- Testing the mathematical accuracy of the models used by Management to calculate the estimated future deferred consideration payable.
- Comparing the forecasted coal production to operational data and reserve estimates prepared by the Company's internal reserve engineering experts.
- Assessing Management's production forecasting accuracy by comparing forecasts to actual results.
- Comparing the forecasted coal price assumption with current prices charged to the Company's largest customers and a growth rate based on historic achieved growth rates and external forecast coal prices.
- Performing sensitivity analysis on the key estimates and assumptions including the risk adjusted discount rate, forecast coal price and estimated production.
- Assessing whether the Group's disclosures in relation to deferred consideration and the sensitivities of key assumptions were appropriate in the financial statements.

Modification of convertible notes

Refer to Note 1(Y) to the Financial Report.

On 31 December 2017 the terms of the convertible notes were modified so that they were denominated in NZD and would convert to a fixed number of shares.

The modification means the conversion feature of the convertible notes is no longer classified as a derivative liability but as a component of equity.

This was an area of audit focus because of the complexity in calculating the fair value on derecognition and subsequent

As part of our audit procedures we obtained the modified convertible note agreements and reviewed the fair value adjustments recorded by Management to derecognise the existing derivative liability and recognise the fair value of the new equity component.

In particular our audit procedures focused on;

- Agreeing the terms of the modified convertible notes to underlying agreements.
- Using our valuation specialists to assist in;
 - assessing whether the modified terms were considered a significant modification that required the derecognition of the existing derivative liability;
 - assessing whether the modified terms meant that the conversion feature of the convertible notes was appropriately classified as an equity component; and



The key audit matter

How the matter was addressed in our audit

recognition, and the significant impact the modification has on the financial statements.

- independently recalculating the fair value of the convertible notes derecognised on modification and the related fair value of the equity component recognised on modification.

Acquisition of assets by the equity accounted investment

Refer to Note 15 to the Financial Report.

The acquisition of the Solid Energy New Zealand mining assets and mining permits occurred on 31 August 2017.

Judgment was exercised by Management in estimating the fair value of the mining assets and permits acquired by BT Mining Limited, a jointly controlled and equity accounted entity in the consolidated financial statements.

This was an area of audit focus because of the significant judgements applied by Management.

As part of our audit procedures over the acquisition by BT Mining Limited of certain assets from Solid Energy New Zealand Limited we obtained key transaction documents, assessed the date of acquisition and reviewed the fair value estimates of the assets and liabilities acquired.

In particular our audit procedures focussed on significant judgements made by directors, including;

- Validating that the substantive conditions that existed within the sale and purchase agreements were appropriately satisfied and control was effective on 31 August 2017;
- Using our valuation specialists, reviewing the key assumptions set out in the external advisors report that supported the fair value of the assets and liabilities acquired.

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information includes the Chairman's and Chief Executive's report and operational and financial reviews. 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.

Other matter

The consolidated financial statements of the group, for the year ended 30 June 2017, were audited by another auditor who expressed a qualified opinion on those statements on 31 August 2017.

Use of this independent auditor's report

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



Responsibilities of the Directors for the consolidated financial statements

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

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



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

Our objective is:

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

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

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

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>

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

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

For and on behalf of

KPMG
Wellington

27 August 2018