Interim financial report

for the six months ended 31 December 2021

Incorporating the requirements of Appendix 4D.

This interim financial report announcement incorporates the half year report given to the Australian Securities Exchange (ASX) under Listing Rule 4.2A.

Contents

Results for announcement to the market

For the six months ended 31 December 2021

Financial measures	H1 FY22 $000	H1 FY21 $000	% change
Sales revenue and other income	20,910	33,399	(37%)
Profit from ordinary activities after tax	10,615	3,710	186%
Profit after tax	4,580	3,710	23%

Per share measures	H1 FY22 Amount per share (cents)	H1 FY21 Amount per share (cents)	% change
Basic earnings per share	2.68	2.17	23%
Diluted earnings per share	2.68	2.17	23%
Net tangible assets per share	71.85	41.24	74%

There were no interim dividends paid or declared in respect of the six-month period ended 31 December 2021.

The difference between profit from ordinary activities and profit after tax is the non-cash fair value movement on the AUD convertible bonds derivative liability ($6.0m expense).

Included in profit after tax is $15.1m profit after tax relating to Bathurst's 65 percent equity share of profit in joint venture BT Mining Limited (31 December 2020: $4.1m).

The auditor's review report contains an emphasis of matter paragraph. This draws reader's attention to note 7 in the interim financial statements regarding the legal proceedings brought against Bathurst by L&M Coal Holdings Limited. The review opinion was not modified in respect of this matter.

Note that prior period earnings per share and net tangible assets per share calculations have been re-stated to reflect the 10:1 share consolidation that occurred in April 2021.

Financial and operating overview

For the six months ended 31 December 2021

Letter from the Chief Executive Officer

The H1 FY22 results are underpinned by a strong recovery in our export segment pricing. The benchmark that our export sales are priced against increased significantly in the first six months. This was largely due to ongoing tight supply particularly of premium hard coking coal from major producers and limited spot cargo availability, against an increase in steel demand. Demand has been influenced by COVID infrastructure stimulus packages that require steel, and key market recoveries.

More recently, ongoing coal supply issues in Australia due to heavy rainfall and worker availability impacted by COVID have influenced pricing levels which have recently exceeded previous records set late last year, which will flow into our H2 results. It is expected that the high pricing environment may continue for the remainder of this financial year, before prices return to more sustainable levels, however continued demand and supply uncertainty could keep the benchmark buoyant.

Like the rest of the world we are seeing a rise in inflation from COVID related supply chain disruptions, labour supply shortages and fuel price increases. Consumer prices in New Zealand have risen at the fastest pace since 1990 with average inflation reaching 5.9 percent at the end of 2021, and fuel costs at our operations have risen approximately 60 percent since June. These factors coupled with some operational challenges at our largest mine from a significant flooding event have caused a dampening effect on profit margins.

Rehabilitation at the Canterbury mine is progressing well, with approximately 21 hectares rehabilitated in the first six months. All coal stocks have been fully depleted, with most surplus equipment now sold and infrastructure removed to allow for the rehabilitation.

The strategy of using coal price hedging to help protect revenue in our export segment from sharp dips in pricing levels was re-assessed by the Board. The realised hedging expense has increased in line with the sharp rise in pricing levels, that have significantly exceeded the market consensus of forward pricing when these hedges were contracted. It was reaffirmed that we continue to see the value in adopting a hedging strategy, which over the last few financial years, has provided essential additional revenue.

Looking ahead, the greatest uncertainty comes from the impact that community transmission of COVID and in particular the Omicron variant will have on our workforce, and New Zealand's supply chain. We as a business have decided to provide additional leave support to our workforce in addition to that provided by the government. Additionally, a company-wide reporting tool has been rolled out which enables real-time access to data on employees impacted by COVID, which will help us to better ensure we keep our people healthy and our operations can continue to operate.

Financial overview

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

Financial measures	H1 FY22 $m	H1 FY21 $m
Revenue[1]	124.6	97.8
EBITDA[2]	34.7	26.8
Net profit after tax	4.6	3.7
Cash	41.8	21.7

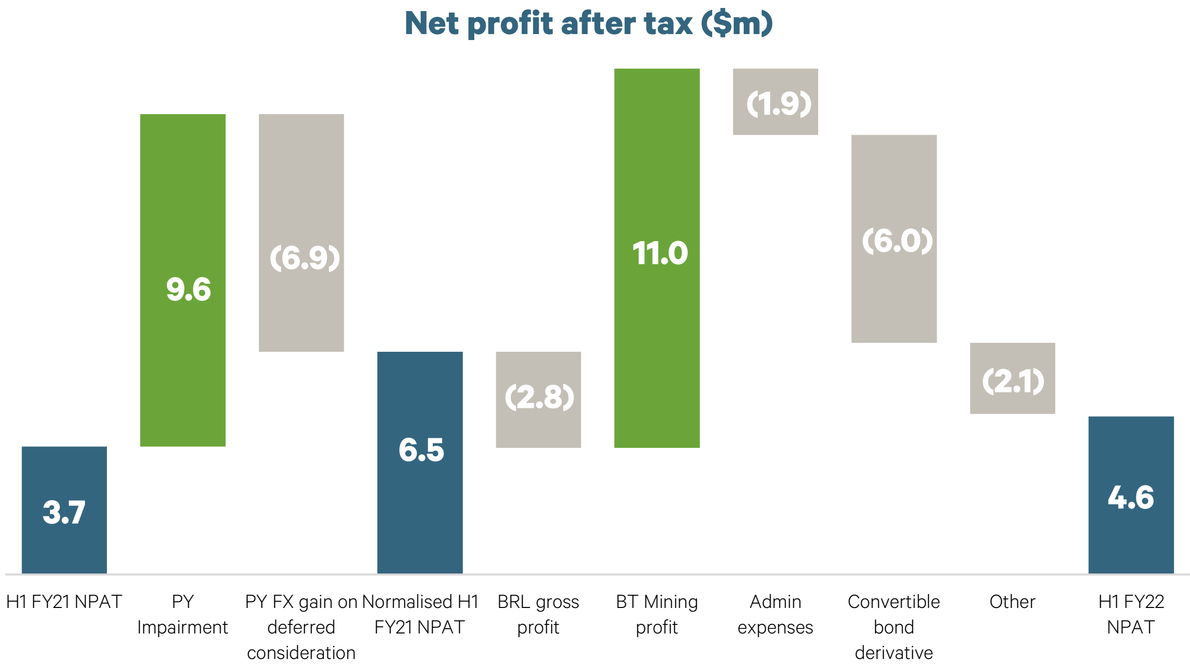
[1] Coal sales revenue to customers, including realised FX and coal pricing hedges. Unrealised movements in coal pricing and FX hedging go through other comprehensive income.

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

Financial and operating overview

For the six months ended 31 December 2021

Financial overview continued



Key movements in net profit after tax:

Impairment	+$9.6m	The Canterbury assets were impaired in the previous period after the decision to cease operating the Canterbury mine at the end of June 2021.
PY FX gain on deferred consideration	-$6.9m	A favourable movement in the translation of USD denominated deferred consideration into NZD in the prior period lead to significant unrealised foreign exchange income. The deferred consideration was subsequently reversed at 30 June 2021 due to a favourable ruling by the Supreme Court on the issue.
BRL gross operating profit	-$2.8m	The cessation of operating at the Canterbury mine, and a reduction in net freight revenue are key drivers. Refer to domestic operations overview (South Island domestic) for further information.
Equity share of joint venture BT Mining profit	+$11.0m	Increase from export operations driven by higher pricing received on sales, partially offset by a decrease in earnings for the North Island domestic segment. Refer to export and domestic operations overview for further information.
Admin expenses	-$1.9m	An increase in corporate administration costs, largely driven by increased legal fees incurred in defending Bathurst against claims bought by L&M, and overhead salary costs that included short term incentive performance payments in the current period (nil in prior period).
Fair value movement on convertible bond derivative	-$6.0m	This movement reflects the valuation of the conversion option of the AUD convertible bonds. This is a non-cash item that will either move to equity (if converted) or reverse through the income statement (if redeemed). The expense has increased in correlation to the increase in Bathurst's share price which has been recently trading at a significantly higher value than the strike price of the bonds.

Financial and operating overview

For the six months ended 31 December 2021

Operations overview

Export

Measure			Export H1 FY22	Export H1 FY21
Production	(100% basis)	kt	475	428
Sales	(100% basis)	kt	563	529
Overburden	(100% basis)	Bcm 000	1,964	1,825
Revenue incl. realised hedging (equity share)		$'000	74,075	44,582
Average price received per tonne (100% basis)		$/t	203	130
EBITDA (equity share)			24,012	6,170

Production and sales	Increased due to higher sales pricing.
Revenue	• The average benchmark price was USD $287/tonne H1FY22 versus USD $113/tonne H1FY21. Export sales are a mix of being priced against the spot price or a prior 3 month average (t minus 1). • FX had a negative impact on the conversion of sales from USD to NZD year-on-year ("YOY"), as did the sales mix, with a higher percentage of thermal sales replacing semi-hard to align with production.
Earnings	Underlying cost increases have partially offset the uplift in revenue: • Purchased coal which is added to the mine's coal blend to meet contract specifications. It is priced against the USD benchmark so the cost fluctuates in line with revenue. • Fuel pricing which moved from an average $0.69/litre to $1.11/litre. • Profit share for employees which is pegged to uplifts in sales revenue. • Operational inefficiencies from increased rainfall causing more downtime, and the mine closure in July due to a local flooding event.

Financial and operating overview

For the six months ended 31 December 2021

Operations overview continued

Domestic

Measure			Domestic H1 FY22	Domestic H1 FY21
Production	(100% basis)	kt	477	581
Sales	(100% basis)	kt	476	504
Overburden	(100% basis)	Bcm 000	3,674	8,539
Revenue (equity share)		$'000	50,523	53,207
EBITDA (equity share)		$'000	19,038	26,864

Sales	North Island domestic ("NID") increased by 16kt from increased sales volumes to a steel producing customer. South Island domestic ("SID") sales volumes declined 44kt due to the closure of the Canterbury mine.
Overburden	Waste moved in advance has reduced significantly at the Rotowaro mine as it moves closer to the end of its mine life.
Revenue	NID sales revenue improved from the uplift in sales tonnes, and contractual standard annual price increases, as well as escalation clauses that allow for producer price index increases. SID saw a drop in sales revenue from the closure of the Canterbury mine, partially offset by contractual price per tonne increases for Takitimu.
Earnings	SID EBITDA reduced $5m. This is principally due to the closure of the Canterbury mine, and a reduction in net freight revenue as margins have been eroded by the hike in fuel costs and government levies. Discussions are underway to pass these direct cost increases onto customers. NID EBITDA decreased $3m as costs increases offset the uplift in revenue, primarily due to: • The mines moving closer to the end of their mine life, with costs net of capitalised stripping naturally increasing as there is a certain level of fixed costs incurred, relevant to production and overburden stripping volumes. • Fuel has moved from an average cost of $0.65/litre to $1.05/litre. • Labour costs have increased in line with contractual CPI adjustments. • Repairs and maintenance costs at Rotowaro have stayed relatively consistent notwithstanding reduced production and overburden stripping levels. Causes are deferred work from FY21 moving into FY22, and where the machines are at in their life cycle.

Corporate

Corporate overhead costs included in the total group consolidated EBITDA increased compared to the prior period, $8.4m H1 FY22 versus $6.3m in H1 FY21. This reflects an increase in Bathurst overhead expenses:

- Overhead salary costs increased from short term performance incentives paid in H1FY22. These were not paid in the prior period.
- Legal fees incurred in defending Bathurst against claims bought by L&M (refer note 7 of the financial statements).

Overseas joint venture – Crown Mountain project

A further $0.4m was invested in the six months to 31 December 2021 in the Crown Mountain project, a coking coal exploration project in Canada with joint venture partner Jameson Resources Limited. The funds were invested on a proportional equity basis as a non-callable loan and are being used to further the progression of the environmental assessment application.

Key findings of the bankable feasibility study on the project released in July 2020 reaffirmed the project as a high-quality coking coal opportunity with a competitive operating and capital cost structure, with access to existing common user rail and port infrastructure. Results of a yield optimisation study released in August 2021 has confirmed the potential for increased production and considerably improved economic outcomes of the project by increasing product ash levels which enables increased processing yield.

Bathurst's equity share remains at 22.2 percent with the option to buy-in to 50 percent of the project.

Financial and operating overview

For the six months ended 31 December 2021

Cash

		H1 2022	H1 2021
	Opening cash 30 June	**20.2m**	**26.0m**
Operating	EBITDA	34.7	26.8
	Working capital	6.1	1.6
	Canterbury rehabilitation	(1.9)	-
	Corporation tax paid	-	(6.5)
Investing	Deferred consideration	(1.6)	(2.9)
	Crown Mountain (environmental assessment application)	(0.4)	(0.4)
	PPE net of disposals	(3.6)	(2.5)
	Mining assets including capitalised stripping	(4.7)	(10.7)
Financing	Finance leases	(4.7)	(5.3)
	Interest repayment on AUD convertible bonds	(0.5)	(0.3)
	Borrowings repayments	(1.7)	(4.1)
	Financing costs	(0.1)	-
	Closing cash 31 December	**41.8m**	**21.7m**

Canterbury rehabilitation

The mine was closed at the end of June 2021, with rehabilitation due to be complete at the end of FY22.

Corporation tax paid

For cash management purposes, tax payments have been deferred to March/April 2022.

Deferred consideration

Key payments consist of royalties owed on Takitimu mine sales, and the final payment relating to the BT Mining acquisition which was paid in Q2.

Crown Mountain

Funds paid were on a proportional project equity ownership basis and were used to progress the environmental application.

Mining development including capitalised stripping

Spend has decreased from the prior year comparative period due to the Rotowaro mine's strip ratio decreasing as the mine moves into the mature end of its Waipuna West pit.

Borrowing repayments

A partial repayment of funding received in advance from customers for stripping activities for the Waipuna West pit (Rotowaro mine).

Authorised for and on behalf of the Board of Directors:

Peter Westerhuis
Chairman

23 February 2022

Russell Middleton
Executive Director

23 February 2022

Income statement

For the six months ended 31 December 2021

	Notes	Dec 2021 $'000	Dec 2020 $'000
Revenue from contracts with customers		20,706	25,547
Cost of sales		(17,132)	(19,188)
Gross profit		**3,574**	**6,359**
Equity accounted profit	5	15,049	4,092
Other income		99	259
Depreciation		(1,195)	(1,474)
Administrative and other expenses		(6,053)	(4,137)
Fair value movement on deferred consideration	6 (c)	599	1,522
Loss on disposal of property, plant and equipment		(112)	294
Movement in bad debts		-	169
Impairment of mining assets & property, plant and equipment		-	(9,645)
Operating profit/(loss) before tax		**11,961**	**(2,561)**
Fair value movement on derivatives	6 (b)	(6,035)	-
Finance cost	3	(1,451)	(1,322)
Finance income	3	105	7,593
Profit before tax		**4,580**	**3,710**
Tax		-	-
Profit after tax		**4,580**	**3,710**
Earnings per share:		**Cents**	**Cents**
Basic profit per share		2.68	2.17
Diluted profit per share		2.68	2.17

Statement of comprehensive income

For the six months ended 31 December 2021

	Note		
Profit after tax		**4,580**	**3,710**
Other comprehensive (loss)/income that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(56)	(726)
Share of BT Mining hedging	5 (a)	(10,581)	384
Comprehensive (loss)/income		**(6,057)**	**3,368**

Unaudited

Statement of financial position

As at 31 December 2021

	Notes	Dec 2021 $'000	Jun 2021 $'000
Cash and cash equivalents		6,115	4,395
Restricted short-term deposits		4,247	4,247
Trade and other receivables		6,864	4,286
Inventories		1,290	1,219
New Zealand emission units		2,841	1,493
Total current assets		**21,357**	**15,640**
Property, plant and equipment		10,983	12,518
Mining assets	4	15,617	15,690
Interest in joint ventures	5	112,149	114,236
Crown indemnity		767	764
Other financial assets		1,446	1,020
Total non-current assets		**140,962**	**144,228**
TOTAL ASSETS		**162,319**	**159,868**
Trade and other payables		12,270	6,762
Borrowings	6 (a)	10,359	983
Deferred consideration	6 (c)	973	998
Rehabilitation provisions		1,703	3,798
Convertible bond derivative	6 (b)	6,806	772
Total current liabilities		**32,111**	**13,313**
Borrowings	6 (a)	613	10,358
Deferred consideration	6 (c)	1,823	2,517
Rehabilitation provisions		4,938	4,914
Total non-current liabilities		**7,374**	**17,789**
TOTAL LIABILITIES		**39,485**	**31,102**
NET ASSETS		**122,834**	**128,766**
Contributed equity		293,107	293,107
Reserves		(46,841)	(36,329)
Accumulated losses		(123,432)	(128,012)
EQUITY		**122,834**	**128,766**

For and on behalf of the Board of Directors:

Peter Westerhuis
Chairman
23 February 2022

Russell Middleton
Executive Director
23 February 2022

Statement of changes in equity

For the six months ended 31 December 2021

	Contributed equity $'000	Debt instruments equity component $'000	Share-based payments $'000	Foreign exchange/ cash flow hedging $'000	Retained earnings $'000	Reorganisation reserve $'000	Total equity $'000
1 July 2020	**293,107**	**17,622**	**357**	**948**	**(212,355)**	**(32,760)**	**66,919**
Comprehensive income	-	-	-	(4,828)	66,721	-	61,893
Share-based payments	-	-	(46)	-	-	-	(46)
Maturity of debt instruments	-	(17,622)	-	-	17,622	-	-
30 June 2021	**293,107**	**-**	**311**	**(3,880)**	**(128,012)**	**(32,760)**	**128,766**
Comprehensive loss	-	-	-	(10,637)	4,580	-	(6,057)
Share-based payments	-	-	125	-	-	-	125
31 Dec 2021	**293,107**	**-**	**436**	**(14,517)**	**(123,432)**	**(32,760)**	**122,834**

Statement of cash flows

For the six months ended 31 December 2021

	Notes	Dec 2021 $'000	Dec 2020 $'000
Cash flows from operating activities			
Receipts from customers		17,914	21,745
Payments to suppliers and employees		(18,909)	(16,950)
Dividend from BT Mining	5 (a)	6,500	-
Net cash inflow from operating activities		**5,505**	**4,795**
Cash flows from investing activities			
Exploration and consenting expenditure		(213)	(46)
Mining assets (including capitalised waste moved in advance)		(1,571)	(2,835)
Property, plant and equipment purchases net of sale proceeds		228	1,172
Deferred consideration		(361)	(455)
Investment in NWP Coal Canada Limited		(424)	(425)
Other		(3)	60
Net cash outflow from investing activities		**(2,344)**	**(2,529)**
Cash flows from financing activities			
Interest received		2	18
Interest on finance leases and other finance costs paid		(63)	(219)
Repayment of finance leases		(897)	(896)
Interest on debt instruments		(483)	(303)
Net cash outflow from financing activities		**(1,441)**	**(1,400)**
Net increase in cash		**1,720**	**866**
Cash and cash equivalents at the beginning of the year		4,395	4,495
Restricted short-term deposits at the beginning of the year		4,247	4,193
Total cash at the end of the year		**10,362**	**9,554**

Notes to the financial statements

For the six months ended 31 December 2021

1. About our financial statements

General information

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

The interim financial statements presented as at and for the six months ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group").

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

Basis of preparation

These interim financial statements have been prepared in accordance with New Zealand generally accepted accounting practice ("GAAP"), accounting standards NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the annual financial statements for the year ended 30 June 2021.

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

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

Measurement basis

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

Standards and interpretations adopted during the period

The financial information presented for the six months ended 31 December 2021 has been prepared using accounting policies consistent with those applied in the 30 June 2021 financial statements.

Going concern basis of preparation of financial statements

Noting that the Group has a negative working capital position at 31 December 2021 of $10.8m, an assessment of the validity of preparing these financial statements on a going concern basis has been performed. Directors are comfortable that the Group remains a going concern for the following reasons:

- The Group as well as joint venture BT Mining have previously reported positive operating cash inflows and forecasts positive operating cash inflows in its forward-looking projections. Management retain the ability to adjust investing and financing cash flows to a certain level, and are comfortable that repayment of current liabilities from operating cash flows or bank financing available to the Group and BT Mining (if necessary), is feasible and reasonable.
- $6.8m of current liabilities pertain to the derivative liability on the AUD convertible bonds which reflects the valuation of the bond holder's ability to convert the debt into shares. This does not represent a potential future cash outflow; if the bond holder elects to convert the debt into shares the value of the derivative will move to sit within equity, and if the bond holder elects repayment the derivative will reverse through the income statement.
- $9.9m of current liabilities represents the debt portion of the AUD convertible bonds, which may or may not be repaid as bond holders can elect to convert the debt into shares in BRL. The strike price of 49 cents per share is significantly below the Group's recent trading share price.

Notes to the financial statements

For the six months ended 31 December 2021

2. Segment information

The operating segments reported on are:

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

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

Six months ended 31 December 2021	Export $'000	Domestic $'000	Corporate $'000	Total $'000	Eliminate BT Mining $'000	Total BRL $'000
Revenue from contracts with customers	148,305	66,579	-	214,884	(194,178)	20,706
Operating profit/(loss) before tax	**29,051**	**12,285**	**(10,704)**	**30,632**	**(33,758)**	**[3]11,961**
Net finance costs	(796)	(155)	(1,824)	(2,775)	1,429	(1,346)
Fair value movement on derivatives	-	-	(6,035)	(6,035)	-	(6,035)
Income tax expense	-	-	(9,119)	(9,119)	9,119	-
FX and coal price hedging through OCI	-	-	(16,335)	(16,335)	5,698	(10,637)
Comprehensive income/(loss) after tax	**28,255**	**12,130**	**(44,017)**	**(3,632)**	**(17,512)**	**[3](6,057)**
Depreciation & amortisation	(7,584)	(14,553)	(1,559)	(23,696)	20,644	(3,052)
EBITDA[4]	36,941	26,554	(9,747)	53,748	(54,551)	(803)

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

[3] Total BRL operating profit and comprehensive income does not equal the sum of Total minus elimination of BT Mining, as BRL's equity share of BT Mining's profit which was $15.1m for the six months to 31 December 2021 is added back; BRL's equity share of BT Mining's fair value expense on hedging instruments through other comprehensive loss of $10.6m is also added back to comprehensive expense.

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

Notes to the financial statements

For the six months ended 31 December 2021

3. Net finance costs

	Notes	Dec 2021 $'000	Dec 2020 $'000
Interest income		2	13
Unrealised foreign exchange gain on normal operating items		103	-
Unrealised foreign exchange gain on USD bonds and USD L&M deferred consideration		-	7,580
Total finance income		**105**	**7,593**
Interest expense on finance leases		(55)	(89)
Interest expense on debt instruments including amortisation of principal		(1,113)	(277)
Realised foreign exchange loss		-	(6)
Interest on L&M deferred consideration		-	(473)
Rehabilitation provisions unwinding of discount		(34)	(29)
Deferred consideration unwinding of discount	6 (c)	(241)	(321)
Banking and facility fees		(8)	(127)
Total finance costs		**(1,451)**	**(1,322)**
Total net finance (expense)/income		**(1,346)**	**6,271**

4. Mining assets

Exploration and evaluation assets	Dec 2021 $'000	Jun 2021 $'000
Opening balance	**1,790**	**1,869**
Expenditure capitalised	213	150
Impairment of Canterbury mine assets	-	(229)
Total exploration and evaluation assets	**2,003**	**1,790**
Mining licences/permits and property assets		
Opening balance	**13,900**	**32,649**
Expenditure capitalised	172	312
Amortisation	(1,857)	(3,129)
Impairment of Canterbury mine assets	-	(7,359)
Impairment of New Brighton historical acquisition value	-	(12,810)
Waste moved in advance capitalised	1,399	4,237
Total mining licences/permits and property assets	**13,614**	**13,900**
Total mining assets	**15,617**	**15,690**

There were no indicators of impairment for the Bathurst domestic CGU which these mining assets relate to.

Notes to the financial statements

For the six months ended 31 December 2021

5. Interest in joint ventures

	Dec 2021 $'000	Jun 2021 $'000
Interest in BT Mining Limited ("BT Mining")	95,724	97,718
Interest in NWP Coal Canada Limited ("NWP")	16,425	16,518
Total interest in joint ventures	**112,149**	**114,236**

(a) BT Mining

(a) Balances held in BT Mining		
Equity investment	16,250	16,250
Share of retained earnings net of dividends received	79,474	81,468
Total interest in BT Mining	**95,724**	**97,718**
Opening balance	**97,718**	**89,543**
Receipt of dividend	(6,500)	-
Share of BT Mining profit	15,087	13,283
Share of BT Mining FX hedging through OCI	(10,581)	(5,108)
Closing balance	**95,724**	**97,718**

BRL holds a 65 percent shareholding in BT Mining which owns the mining permits and licences as well as the mining assets at the Stockton mine (Buller Plateau in the South Island), and the Rotowaro and Maramarua mines located in the North Island.

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

BT Mining's statement of financial position is shown in note 5 (a), and a summarised income statement for BT Mining is shown in note 2 in the eliminate BT Mining column, of which Bathurst's interest is 65 percent.

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

There were no indicators of impairment of the investment in BT Mining.

Notes to the financial statements

For the six months ended 31 December 2021

5. Interest in joint ventures continued

(a) BT Mining continued

BT Mining balance sheet - unaudited	Dec 2021 $'000	Jun 2021 $'000
Cash	37,303	15,670
Restricted short-term deposits	10,993	2,133
Trade and other receivables	33,327	37,337
Crown indemnity	962	1,781
Inventories	40,319	31,312
New Zealand emission units	3,776	1,078
Current assets	**126,680**	**89,311**
Property, plant and equipment	99,796	103,314
Mining assets	54,771	59,529
Crown indemnity	54,652	56,746
Other financial assets	720	755
Deferred tax asset	9,864	9,864
Non-current assets	**219,803**	**230,208**
TOTAL ASSETS	**346,483**	**319,519**
Trade and other payables	38,686	25,973
Tax payable	16,220	7,101
Borrowings	10,607	14,441
Derivative liabilities	24,127	7,848
Provisions	9,118	6,991
Current liabilities	**98,758**	**62,354**
Borrowings	25,395	27,443
Provisions	75,065	79,388
Non-current liabilities	**100,460**	**106,831**
TOTAL LIABILITIES	**199,218**	**169,185**
NET ASSETS	**147,265**	**150,334**
Share capital	25,000	25,000
Reserves (FX and coal price hedging)	(22,150)	(5,871)
Retained earnings net of dividends paid	144,415	131,205
EQUITY	**147,265**	**150,334**

Notes to the financial statements

For the six months ended 31 December 2021

5. Interest in joint ventures continued

(b) NWP

Balances held in NWP	Dec 2021 $'000	Jun 2021 $'000
Opening balance	**16,518**	**16,253**
FX movements through reserves	(55)	313
Equitable share of loss	(38)	(48)
Total interest in NWP	**16,425**	**16,518**

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

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

The joint venture agreement structures BRL's investment in NWP into three parts, an initial investment and two tranches. The initial investment and first tranche which represent a total investment of CAD $11.5m in exchange for a 20 percent equity stake in NWP are complete. A further CAD $2.6m has also been advanced as part of the second tranche in exchange for preference shares in NWP. Payment of the balance of tranche two is not expected in the next twelve months. A further CAD $1.1m issued as a non-callable loan to NWP in order to complete the ongoing activities up to the Final Investment Decision ("FID") is recorded as non-current other assets.

Should BRL decide to exercise the final tranche option (which is at Bathurst's sole discretion), further investment required will equal CAD $110.0m minus funds invested in the preference shares. The preference shares will automatically convert upon FID to give BRL a 50 percent equity holding in the project.

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

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

NWP financials of which Bathurst holds 22.2 percent - unaudited		
Cash	17	275
Other current assets	97	178
Exploration and evaluation assets	37,165	35,336
Other non-current assets	1,268	1,274
TOTAL ASSETS	**38,547**	**37,063**
Current liabilities	197	528
Non-current financial liabilities	2,466	5,292
TOTAL LIABILITIES	**2,663**	**5,820**
NET ASSETS	**35,884**	**31,243**

Notes to the financial statements

For the six months ended 31 December 2021

6. Financial liabilities

(a) Borrowings	Dec 2021 $'000	Jun 2021 $'000
Current		
Secured		
Lease liabilities	479	983
Convertible bonds	9,880	-
Total current borrowings	**10,359**	**983**
Non-current		
Secured		
Lease liabilities	613	1,005
Convertible bonds	-	9,353
Total non-current borrowings	**613**	**10,358**
Total borrowings	**10,972**	**11,341**

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

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

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

(b) Convertible bond derivative

The convertible bond derivative which represents the value of conversion option to convert the debt into shares was determined using a Black Scholes Model that takes into account the:

- exercise price (AUD 0.49) and volume weighted average share price at the reporting date (AUD 0.78);
- term of the conversion option;
- expected price volatility of the underlying share (59.1 percent) which is based on historical volatility;
- expected dividend yield; and
- the risk-free interest rate for the term of the conversion option based on Australian government bond yields (0.54 percent).

Notes to the financial statements

For the six months ended 31 December 2021

6. Financial liabilities continued

(c) Deferred consideration	Dec 2021 $'000	Jun 2021 $'000
Current		
Acquisition of subsidiary	973	998
Non-current		
Acquisition of subsidiary	1,823	2,517
Total deferred consideration	**2,796**	**3,515**
Movement		
Opening balance	3,515	79,317
Unwinding of discount	241	626
Fair value adjustment - New Brighton Colleries	(599)	(2,232)
Reversal of fair value of Buller coal project performance payment	-	(57,159)
Foreign exchange movement on Buller coal performance payment	-	(5,086)
Accrued interest on Buller coal project	-	(10,983)
Consideration paid during the period net of movement in accruals	(361)	(968)
Closing balance	**2,796**	**3,515**

Buller Coal project

Bathurst acquired Buller Coal Limited (formerly L&M Coal Limited) ("Buller Coal") from L&M Coal Holdings Limited ("L&M") in November 2010. The agreement for sale and purchase ("ASP"), which primarily concerned the purchase of the Escarpment mine through the acquisition of Buller Coal, contained an element of deferred consideration. The deferred consideration comprised royalties on coal sold, two contingent "performance payments" of USD $40m each, and the contingent issue of performance shares. The first performance payment is prima facie payable upon 25,000 tonnes of coal being shipped from the Buller Coal project area, and the second payable upon 1 million tonnes of coal being shipped from the Buller Coal project area or where a change in control of Bathurst is deemed to have occurred both payments are triggered.

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

Bathurst has and will continue to remit royalty payments to L&M on all Escarpment coal sold as required by the Royalty Deed and this includes ongoing sales from stockpiles. Further information is included in note 7.

New Brighton Collieries Limited

The Company completed the acquisition of New Brighton Collieries Limited on 10 March 2015. The balance due on settlement is to be satisfied by an ongoing royalty based on mine gate sales revenue from the Takitimu mine. The fair value of the future royalty payments is estimated using a discount rate based upon the Group's WACC, projected production profile, and forecast domestic coal prices. These are based on the Group's forecasts which are approved by the Board of Directors.

Notes to the financial statements

For the six months ended 31 December 2021

7. Contingent liabilities

The Supreme Court judgment on the first Performance Payment (and subsequent action against guarantor)

On 23 December 2016 Bathurst announced that L&M Coal Holdings Limited ("L&M") had filed legal proceedings in the High Court of New Zealand in relation to an alleged breach of the first USD $40m Performance Payment described in note 6 (c). After pursuit of this matter through the courts of New Zealand, on 14 July 2021 the Supreme Court upheld Bathurst and Buller Coal's appeal, setting aside earlier unfavourable judgments given against them by the High Court and Court of Appeal.

The Supreme Court held that, under the terms of the subject share sale contract, the level of royalty payments required to be made in order to enjoy the benefit of an agreed suspension of the Performance Payments (clause 3.10 of the Agreement for Sale and Purchase ("ASP")) should not be interpreted as royalty payments equal to those arising from a level of mining consistent with that occurring when the relevant shipping volume had been reached. This meant that for so long as Bathurst and Buller Coal were continuing to pay the relevant royalty payments actually due under the terms of the related Royalty Deed (and even if that royalty sum was zero), they were entitled to delay payment of the Performance Payment.

Some months after the Supreme Court's decision in respect of the first Performance Payment, on 22 September 2021 L&M served Bathurst and its subsidiary Buller Coal, with further proceedings. Despite the Supreme Court's judgment of 14 July 2021, L&M's new action seeks declarations that would permit it to assert that there has been an event of default by the subsidiary Buller Coal (although not by Bathurst) under a related Deed of Guarantee and Security between the parties. L&M pursues two arguments:

- Primarily, L&M asserts that even though the Supreme Court has held that the first Performance Payment is not a debt that is presently due and payable by Bathurst, the same first Performance Payment is still due and payable by Buller (as guarantor of Bathurst); and
- As a fallback argument, it also asserts that Buller failed to provide sufficient response to an information request it made of Buller nearly two years ago (on 6 November 2019).

Bathurst and Buller, based on legal advice, consider this latest legal action by L&M to be without merit. The Supreme Court is the highest court in New Zealand, and there are no further rights of appeal from its judgment. A hearing on the merits of L&M's new action under the Deed of Guarantee and Security is scheduled for 20 to 22 June 2022.

Change in control arbitration – the first and second performance payments

On 4 May 2020 Bathurst announced that L&M had given Bathurst notice that L&M intended to pursue further legal action under the terms of the ASP.

L&M asserted in its notice of request for arbitration that its entitlement to the second Performance Payment of USD $40m (and the issue to it of performance shares) arises because there has been a change in control in Bathurst, arising from an aggregation of current and historical shareholders acting together as undisclosed associates, and that this has led to a third party acquiring a relevant interest (as that concept is understood under Australian law) in more than 50 percent of Bathurst's shares. And as a second assertion that a grouping of shareholders through a concerted course of action has acquired effective control of Bathurst and therefore has the ability to control the composition of the board of Bathurst New Zealand Ltd ("BNZ") or may cast, or control the casting of, more than one half of the maximum number of votes that might be cast at a general meeting of BNZ.

Based on legal advice received, the directors believe that it is more than likely that this second claim by L&M would be unsuccessful. Further, the effect of the Supreme Court judgment above is that it is also more than likely that, even if the change in control provision has been triggered – which Bathurst denies – payment of the first and second Performance Payments remains suspended by clause 3.10 of the ASP. This matter is currently going through an arbitration process with a hearing scheduled for July 2022.

Notes to the financial statements

For the six months ended 31 December 2021

8. Related party transactions

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

For the six months to 31 December 2021, non-executive directors' fees were $131k (2020: $136k); and short-term benefits in the form of salary and bonuses, as well as share based payments to the senior leadership team (including executive directors) were $2.7m (2020: $1.5m).

Salaries for employees who work across both BRL and BT Mining are recharged between the two companies so that staff costs are recorded appropriately. For the six months to 31 December 2021 $1.6m of salaries were recharged from BRL to BT Mining (2020: $1.2m) and $0.5m recharged from BT Mining to BRL (2020: $0.4m).

Coal sales are made to BRL's BT Mining joint venture partner Talleys Energy Limited and/or associated companies of Talleys Energy Limited on an arm's length basis and normal commercial terms. Total sales for the six months ended 31 December 2021 were $2.2m (2020: $1.9m).

9. Events after the reporting period

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

Additional information

For the six months ended 31 December 2021

Unaudited proportionate consolidation of Bathurst and BT Mining operations

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

Consolidated income statement

	Dec 2021 $'000	Dec 2020 $'000
Revenue from contracts with customers	146,922	95,218
Realised FX and coal price hedging	(22,323)	2,571
Less: cost of sales	(86,635)	(74,576)
Gross profit	**37,964**	**23,213**
Other income	1,341	1,527
Equity share of NWP loss	(38)	-
Depreciation	(8,673)	(8,790)
Administrative and other expenses	(12,240)	(10,036)
Fair value on deferred consideration	599	3,589
Gain on disposal of property, plant and equipment	(136)	294
Impairment losses	-	(9,645)
Movement in bad debts	-	169
Operating profit before tax	**18,817**	**321**
Fair value movement on derivatives	(6,035)	-
Finance cost	(2,365)	(2,619)
Finance income	90	7,599
Profit before income tax	**10,507**	**5,301**
Income tax expense	(5,927)	(1,591)
Profit after tax	**4,580**	**3,710**

Additional information

For the six months ended 31 December 2021

Consolidated balance sheet

	Dec 2021 $'000	June 2021 $'000
Cash and cash equivalents	30,362	14,581
Restricted short-term deposits	11,392	5,633
Trade and other receivables	28,531	28,554
Crown indemnity	625	1,158
Inventories	27,497	21,572
New Zealand emission units	5,295	2,194
Total current assets	**103,702**	**73,692**
Property, plant and equipment	75,850	79,672
Mining assets	51,218	54,384
Crown indemnity	36,291	37,649
Investment in joint venture	16,425	16,518
Deferred tax asset	6,412	6,412
Other financial assets	1,914	1,511
Total non-current assets	**188,110**	**196,146**
TOTAL ASSETS	**291,812**	**269,838**
Trade and other payables	37,416	23,644
Tax payable	10,543	4,616
Borrowings	17,254	10,370
Derivative liabilities	22,489	5,873
Deferred consideration	973	998
Provisions	7,630	8,342
Total current liabilities	**96,305**	**53,843**
Borrowings	17,120	28,196
Deferred consideration	1,823	2,517
Provisions	53,730	56,516
Total non-current liabilities	**72,673**	**87,229**
TOTAL LIABILITIES	**168,978**	**141,072**
NET ASSETS	**122,834**	**128,766**
Contributed equity	293,107	293,107
Reserves	(46,841)	(36,329)
Retained earnings net of dividends	(123,432)	(128,012)
EQUITY	**122,834**	**128,766**

Additional information

For the six months ended 31 December 2021

Consolidated cash flow

	Dec 2021 $'000	Dec 2020 $'000
Cash flows from operating activities		
Receipts from customers	131,135	104,868
Payments to suppliers and employees	(92,645)	(76,338)
Taxes paid	-	(6,500)
Net inflow from operating activities	**38,490**	**22,030**
Cash flows from investing activities		
Exploration and evaluation expenditure	(452)	(50)
Mining assets (including capitalised waste moved in advance)	(4,180)	(10,705)
Property, plant and equipment purchases net of disposals	(3,591)	(2,510)
Payment of deferred consideration	(1,599)	(2,871)
Investment in NWP	(424)	(425)
Other	(3)	60
Net outflow from investing activities	**(10,249)**	**(16,501)**
Cash flows from financing activities		
Repayment of borrowings	(1,499)	(3,871)
Repayment of finance leases	(3,827)	(4,802)
Interest on AUD convertible bonds	(483)	(303)
Interest on borrowings	(163)	(239)
Interest received	18	24
Interest paid on finance leases	(650)	(472)
Finance facility fees	(97)	(168)
Net outflow from financing activities	**(6,701)**	**(9,831)**
Net increase/(decrease) in cash and cash equivalents	**21,540**	**(4,302)**
Opening cash and cash equivalents including restricted short-term deposits	20,214	25,952
Closing cash and cash equivalents	**41,754**	**21,650**

Independent auditor's review report

To the shareholders of Bathurst Resources Limited

Report on the consolidated financial report for the six months ended 31 December 2021

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated financial report for the six months ended 31 December 2021 ("interim financial report") on pages 9 to 22 does not:

i. present fairly in all material respects the Group's financial position as at 31 December 2021 and its financial performance and cash flows for the six month period ended on that date; and

ii. comply with NZ IAS 34 Interim Financial Reporting.

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

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated income statement, statements of other comprehensive income, changes in equity and cash flows for the six month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for conclusion

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

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

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

Emphasis of matter – contingent liabilities

We draw attention to note 7 in the interim financial report which discloses the L&M Coal Holdings Ltd ("L&M") claim in respect to an alleged change in control. This matter is currently going through an arbitration process with a hearing scheduled for July 2022.

L&M initiated further legal action under the terms of the Deed of Guarantee and Security. A hearing on the merits of this action is scheduled for June 2022.

No liability has been recognised as at 31 December 2021 based on legal advice that it is more likely than not that the Company will successfully defend these claims. Our opinion is not modified in respect of this matter.

Independent auditor's review report

Use of this independent review report

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

Responsibilities of the directors for the interim financial report

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

- the preparation and fair presentation of the interim financial report in accordance with NZ IAS 34 *Interim Financial Reporting*;
- implementing necessary internal control to enable the preparation of an interim financial report 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 review of the interim financial report

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

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

This description forms part of our independent review report.

KPMG

KPMG
Wellington

23 February 2022