BATHURST RESOURCES LIMITED

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H1 FY22 RESULTS ANNOUNCEMENT

24 February 2022: Bathurst Resources Limited 31 December 2021 half year result

EXPORT PRICING UNDERPINS STRONG PERFORMANCE:

- **27 percent increase in revenue**
- **29 percent increase in earnings**

Financial measures (NZD)	**H1 FY22 $m**	**H1 FY21 $m**
Revenue[1]	124.6	97.8
EBITDA[2]	34.7	26.8
Profit after tax	4.6	3.7
Cash	41.8	21.7

CEO'S COMMENTS

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.

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[1] Includes realised FX and coal pricing hedges on export sales. Unrealised movements in coal pricing and FX hedging goes through other comprehensive income.
[2] EBITDA is a non-GAAP measure and reflects earnings before net finance costs (including interest), tax, depreciation, amortisation, impairment, non-cash movements on deferred consideration and rehabilitation provisions.

Financial figures in this release are 100% Bathurst and 65% BT Mining and in NZD unless otherwise disclosed

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.

OPERATIONS

Bathurst is New Zealand's leading coal producer, engaging in the development and production of coking and thermal coal in New Zealand. Bathurst also has an equity stake in a Canadian high quality coking coal exploration project.

Export operations

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 basis)	$'000	74,075	44,582
Average price received per tonne (100% basis)	$/t	203	130
EBITDA (equity share basis)	$'000	24,012	6,170

Commentary:

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. Note that the decrease in export EBITDA to that as reported in the 31 December quarterly activities update ($29.3m) is due to finalisation of accounting for realised hedging contracts that relate to the 31 December reporting period.

Domestic operations

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 basis)	$'000	50,523	53,207
EBITDA (equity share basis)	$'000	19,038	26,864

Commentary:

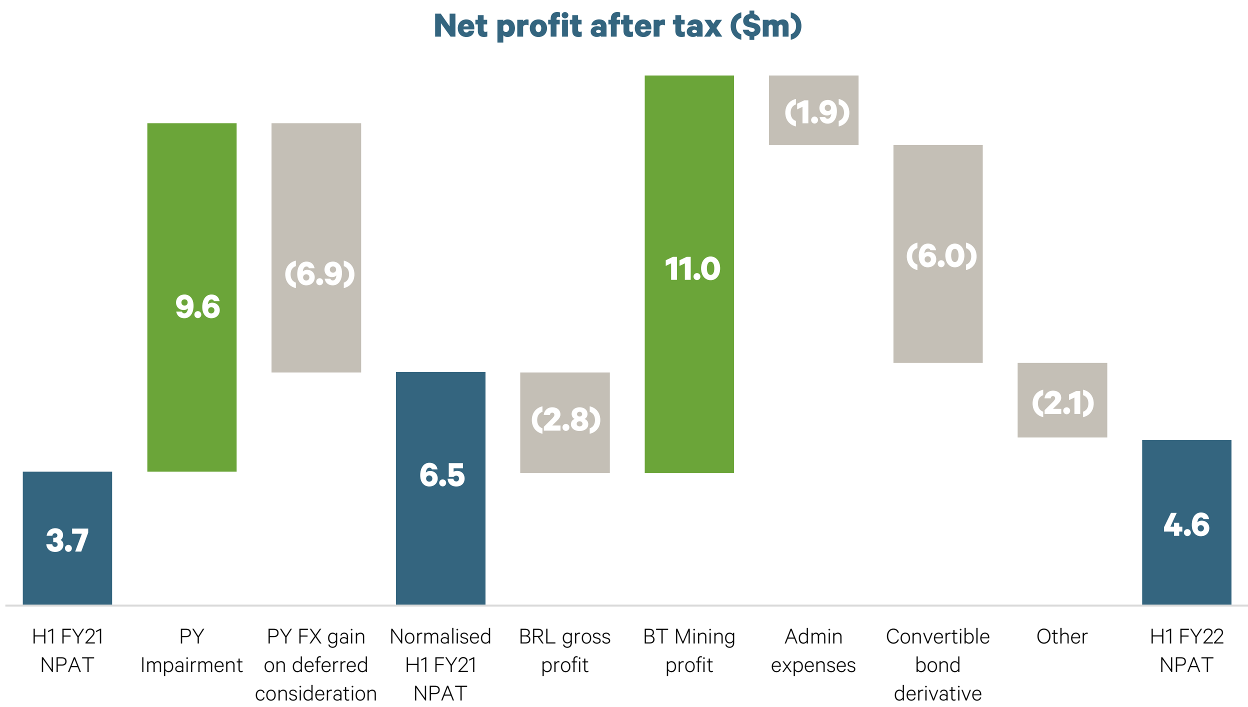
Sales	North Island domestic ("NID") increased by 16kt from increased sales volumes to a steel producing customer. South Island domestic ("SID") sales volumes declined 44kt due to the closure of the Canterbury mine.
Overburden	Waste moved in advance has reduced significantly at the Rotowaro mine as it 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 at Takitimu.
EBITDA	SID EBITDA reduced $5m. This is primarily 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 from an increase in the underlying cost base offsetting the increase 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. This is partly a function of deferred work from FY21 moving into FY22, and partly where the machines are at in their life cycle. • Prior year costs also benefited from a wage subsidy from the New Zealand government as part of their COVID response.

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).

FINANCIAL RESULTS



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.

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KEY GROWTH PROJECTS

Project location	Project type	Market	Project description
British Columbia, Canada	Exploration project in new mining area	Coking coal for steelmaking for the export market	High quality coking coal joint venture. See below for further detail.
South Island, New Zealand	Extension to existing operations	Coking coal for steelmaking for the export market	Drilling and consenting works continue at the Denniston plateau (West Coast of the South Island) projects to assess converting resources to reserves.
North Island, New Zealand	Extension to existing operations	Thermal coal and coal for steelmaking for domestic market	Rotowaro North and Waipuna West extension projects to the Rotowaro mine. The economic feasibility of these projects is still being assessed, with a decision to be made on the Waipuna West extension project in the coming months.

Crown Mountain exploration project, Canada

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[3] 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.

[3] Refer to the ASX announcement HERE by joint venture partner Jameson Resources Limited for details on the bankable feasibility study and optimisation study result, and HERE for the yield optimisation study.

CASH FLOWS

		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).

CORPORATE

Dividends

No dividends were paid or declared during the year.

LITIGATION

The claim served by L&M Coal Holdings Ltd ("L&M") in May 2020 that alleges Change in Control events have occurred under the Agreement for Sale and Purchase ("SPA") between L&M and Bathurst regarding the purchase of Buller Coal Ltd ("Buller") continues to progress through the arbitration process. Significantly, the positive Supreme Court's ruling regarding the previously contested first performance payment under the SPA has implications in respect of this claim. This is because if it is applicable (and the claim were to be successful) the second performance payment under the SPA could also be deferred for so long as relevant royalties continue to be paid (even if that sum is zero).

Notwithstanding this, Bathurst's position remains, based on the legal advice, that the claim is vexatious and has no merit. The substantive hearing is now scheduled for mid-July 2022.

Following on from the Supreme Court's decision in respect of the first performance payment, on 22 September 2021 L&M served Bathurst and its subsidiary, Buller, with further proceedings under the SPA. Despite the Supreme Court's judgment, L&M's new action seeks declarations that would permit it to assert that there has been an event of default under the Deed of Guarantee and Security between the parties. L&M pursues two arguments:

1. Primarily, it 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, it may still assert that the same Performance Payment is due and payable by Buller (as guarantor); and
2. 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, continue to consider this latest legal action by L&M to be completely baseless, without merit and a transparent collateral attack on the Supreme Court's judgment. The Supreme Court is the highest court in New Zealand, and there are no further rights of appeal from its judgment. A hearing is scheduled for 20 to 22 June 2022.

Both of these items are disclosed as contingent liabilities in the financial statements, refer note 7.

This release was authorised for issue by the board of directors.

Bathurst Resources Limited

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Chief Executive Officer

Richard Tacon

Directors

Peter Westerhuis – Non-executive chairman
Richard Tacon – Executive director
Francois Tumahai – Non-executive director
Russell Middleton – Executive director

Substantial holders at 31 December 2021:

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Talley's Group Ltd
Crocodile Capital
Chng Seng Chye

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