

BATHURST RESOURCES LIMITED

Quarterly Report

June 2020 quarter

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Highlights

- Consolidated EBITDA[1] at 30 June $76.3m (unaudited).
- Lost time injury frequency rate 2.9.
- Bankable feasibility study completed for Crown Mountain project.
- Maintenance of cash levels, with consolidated cash at 30 June $26.0m.
- Successful and safe operation of mine sites during New Zealand's COVID-19 pandemic lockdown and associated Alert Levels.

CEO'S COMMENTS

Directors are pleased to report that despite the significant challenges faced by our business because of the COVID-19 pandemic, we have achieved an unaudited FY20 EBITDA result of $76.3m. The benefit of having a diversified sales portfolio selling into different markets both domestically and overseas has again been highlighted.

Earnings from our domestic segment has performed on par with the prior financial year, allowing for some planned reduction in operation levels at the Canterbury mine. Sales were largely unaffected as our domestic mines were considered an essential service and could continue to operate during the New Zealand ("NZ") Government Alert Level 4 mandated lockdown during April. Sales to a major North Island customer that was itself considered non-essential were able to be re-assigned. Some operational changes were required, as well as enhanced health and safety measures to ensure safe operation.

The export business has been impacted by depressed pricing and changes to expected sales volumes. Pricing in H1FY20 was impacted by a number of macro market factors. The COVID-19 pandemic has extended the lower pricing into H2FY20 and affected planned sales shipments. Impacts were also felt from the NZ Government mandated shutdown in April; however Directors note the NZ Government's efforts to reduce the impact of this on businesses, acknowledging our participation in the wage subsidy scheme. It is a testament to our people that over 1Mt of coal sales were still achieved during the year, through the efficient management of the mine, and the ability to work with our overseas customers to manage the complexities arising from the pandemic.

The granting of leave by the Supreme Court to appeal the Court of Appeal's decision regarding the claim against Bathurst by L&M Coal Holdings Limited was a welcome outcome. Further information is provided on page 7.

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

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HEALTH, SAFETY AND ENVIRONMENT

Our people reported no cases of Covid-19 during the quarter; there were three lost time injuries resulting in 40 lost days combined.

The focus on health and safety protocols has continued as New Zealand ("NZ") moved through the COVID-19 pandemic Alert Levels set by the NZ Government. The majority of our workforce returned to work when we entered Alert Level 3 on 28 April. Physical distancing practices ceased from 9 June when we moved to Alert Level 1 (the lowest Alert Level), enabling a return to almost business as usual practices at the mine sites. COVID-19 related protocols remaining in place to meet government requirements consist of enhanced cleaning measures, increased standards of hygiene, contact tracing and a COVID-19 symptom-free workplace.

We continue to have a focus on environmental compliance, which has been enhanced by the upgrade of compliance software and improvement of our environmental reporting methods.

PERFORMANCE METRICS

June quarter	Export 100%	NID[2] 100%	SID[2] 100%	BRL equity share	Prior period equity share
Production (kt)	197	126	70	**281**	**374**
Sales (kt)	236	202	72	**357**	**412**
Overburden (Bcm '000)	741	2,519	794	**2,913**	**3,134**
Coal sales revenue ($'000)	37,163[3]	24,045	9,673	**49,458**	**70,110**
Production costs ($'000)	(27,609)	(19,860)	(7,170)	**(38,025)**	
June YTD					
Production (kt)	954	765	314	**1,431**	**1,653**
Sales (kt)	1,077	792	345	**1,560**	**1,750**
Overburden (Bcm '000)	4,013	11,395	3,332	**13,347**	**14,829**
Coal sales revenue ($'000)	175,307[3]	96,180	47,011	**223,477**	**286,809**

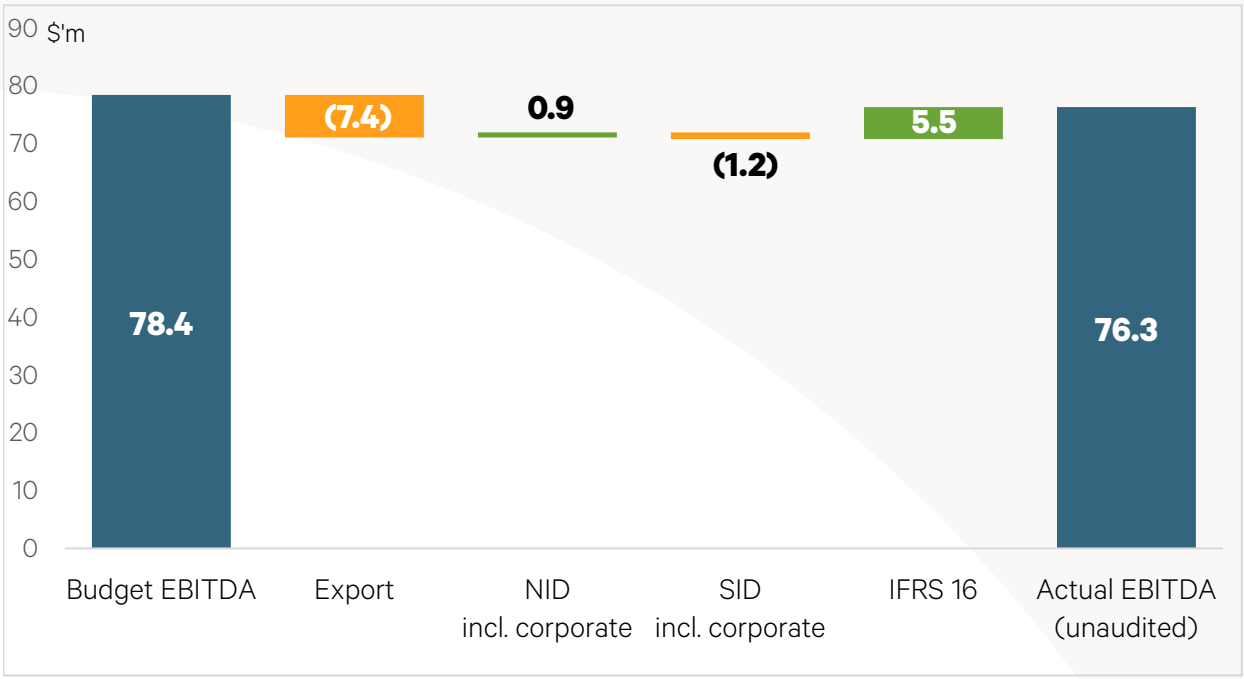
Production costs have been included as required by the recently updated ASX listing rules. Bathurst has defined production costs as the equivalent to 'Cost of Sales' which is shown in the income statement in Bathurst's half year and full year statutory accounts. Cost of sales include:

- Raw materials, mining costs and consumables used.
- Freight costs.
- Mine labour costs.
- Net stripping (amounts capitalised offset by amortisation of the same).
- Movements in inventory.

[2] North Island domestic and South Island domestic.
[3] Excludes realised hedging

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FULL YEAR CONSOLIDATED EBITDA



Actual EBITDA versus previous guidance[4]

Export EBITDA $65.6m FY20 (100 percent basis)
Sales volumes were down reflecting the impact of COVID-19 on shipment plans. Whilst average price per tonne was negatively impacted by global market conditions particularly the COVID-19 pandemic, hedging put in place partially offset the lower pricing received.

A drop in sales volumes was reflected by a decrease in production tonnes, however an underlying increase in the cost base contributed to the negative earnings variance, key drivers being:

- Increased costs at the Cypress pit (as detailed in the December quarterly).
- Fixed costs incurred during the just over four weeks the mine ceased operating, as mandated by the NZ Government as part of its COVID-19 lockdown restrictions.

NID including corporate overheads EBITDA $42.1m FY20 (100 percent basis)
Overall mine operation results came in as originally budgeted, with sales targets met for the year. Maramarua achieved a positive earnings variance driven by stable operating costs despite increased overburden activity. This reflected operational efficiencies including optimisation of operational plans, use of owned vehicles decreasing hire costs, and reduced diesel costs. These gains were offset by an increase in costs at Rotowaro, mainly from mechanical and weather related issues and the associated repairs, and maintenance and contractor costs to ensure overburden activity was maintained. Cost savings at a corporate level reflect the overall favourable variance noted.

SID including corporate overheads EBITDA $6.3m FY20
Mine results for the year were achieved, as the South Island operations were largely un-affected by the COVID-19 pandemic, with sales targets being met and costs maintained. Legal and consultant costs in corporate overheads that were unbudgeted reflect the majority of the $2m variance. These relate to the adverse judgment received on the L&M Coal Holdings Ltd claim[5].

IFRS 16
The new accounting standard NZ IFRS 16 *leases* means that rental payments that were previously captured in operating expenses, are now coded to depreciation and finance interest expense, and excluded from EBITDA. These adjustments were not captured in the original EBITDA guidance figure

[4] Comparative EBITDA was that originally disclosed for FY20 in the June 2019 quarterly (released in July 2019).
[5] Refer final page of this document for more information.

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CONSOLIDATED CASH MOVEMENTS

		Q3 YTD	Q4	FULL YEAR
	Opening cash	**$38.5m**	**$23.6m**	**$38.5m**
Operating	EBITDA	$60.2m	$16.1m	$76.3m
	Working capital	($6.4m)	$6.2m	($0.2m)
	Tax	($9.3m)	-	($9.3m)
Investing	Deferred consideration	($9.4m)	($1.4m)	($10.8m)
	Feasibility studies	($6.1m)	-	($6.1m)
	Property, plant and equipment	($10.9m)	($3.5m)	($14.4m)
	Mining assets including capitalised stripping	($21.4m)	($10.1m)	($31.5m)
Financing	Finance leases net of drawdowns	($6.3m)	$0.0m	($6.3m)
	Corporate debt instruments	($1.3m)	($7.5m)	($8.8m)
	Borrowings drawdown net of interest	$1.5m	$2.6m	$4.1m
	Bathurst dividend	($5.5m)	-	($5.5m)
	Closing cash	**$23.6m**	**$26.0m**	**$26.0m**

Feasibility studies
A one-off item reflecting investment in the Crown Mountain feasibility studies.

Mining assets
The uplift in Q4 is from capitalised stripping of overburden at the Waipuna West extension pit at Rotowaro, reflecting a change in the spread of coal won and overburden moved across the two key pits at the Rotowaro mine. The coal won in Q4 largely came from the Awaroa North West pit, with the majority of overburden activity at Waipuna West, meaning the majority of stripping costs at Waipuna West were capitalised.

Corporate debt instruments
A partial repayment of the USD Bathurst corporate bonds on issue was made during the quarter, including accrued interest.

Borrowings drawdown net of interest
Activity relates to monies received in advance on stripping activities for the Waipuna West pit.

FY21 OUTLOOK

Export pricing outlook

Coal demand in our major customer markets including India were significantly reduced during May and June, operating at 20 – 50 percent of pre-COVID-19 production levels. While production levels in many Indian steel mills are increasing, the risk remains around further lockdowns as COVID-19 cases continue to increase. If steel production rates continue to rise this quarter, we expect India to re-enter the spot coal market next quarter as their current high stockpiles reduce.

The Chinese port restrictions and quotas continue to cap any demand out of China. However, with Chinese domestic coal priced significantly higher than seaborne coals, Chinese buyers will continue looking for seaborne cargos as long as they have sufficient quota. This will help limit downside price risk.

Market intelligence is split between a recovery in the coming months to further downside as production slows to meet the current demand.

Domestic outlook highlights

A new five-year contract to supply the South Island major dairy sites has been signed which is valued at over $100m. These contracts align with current 'life of mine' plans and hence secure revenue for the SID operations.

Additional contracts with several industrial South Island customers totalling 50kt per year have also been finalised for the next two years.

Guidance

Earnings guidance for FY21 has not been included at this stage. The level of uncertainty surrounding the short- and longer-term impacts of the COVID-19 pandemic, both in NZ and overseas, decreases the ability to report a reliable estimated earnings figure for the export segment.

Management will reconsider releasing earnings guidance for FY21 with the FY20 financial statements that will be released at the end of August.

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OPERATIONS REVIEW

Export (Stockton) (65%)

There were six shipments achieved during the quarter with sales of 263kt. This was behind forecast due to delayed timing of shipments and COVID-19 impacts. Average price per tonne was NZD 163 which was lower than forecast, however hedging put in place has partially offset this.

Overburden, production and operating costs were all negatively impacted by the mandated NZ Government cessation of operations at the mine during April. Productivity improvements that increase the working time of mining operations were implemented to help counter the impacts of Alert Level 3 COVID-19 controls, which have now been permanently adopted. The mine is well set to meet its contracted FY21 sales.

BT Mining has contract forward hedging on sales in place at 30 June of 117kt at an effective average price of NZD 229 per tonne. Fuel hedging covering 50 percent of volumes over the next six months is also in place.

NID (65%)

Rotowaro

Being our largest domestic mine site, in order to operate safely whilst NZ was in Alert Level 4 overburden operations were reduced to minimum levels required to maintain immediate coal supply. Operations returned to normal under Alert Level 3, but the impact of the shortfall in April could not be recouped. This had a flow on effect on production targets, with a drawdown on stockpiles to meet sales. Engagement of contractors to help with stripping levels are planned to continue into FY21 to ensure sales commitments for FY21 are met.

Significant work continues on the mobile plant to reduce the mechanical issues experienced in FY20, and the associated increased plant hire and repairs and maintenance costs.

Maramarua

Maramarua had a strong quarter as well as FY20, meeting all key operational and financial targets, with sales and operations largely unaffected by COVID-19.

SID (100%)

Takitimu

An excellent final quarter as operations met sales and production targets, with excess overburden being removed at no net additional cost as price savings from lower diesel prices were realised.

Canterbury

Canterbury had another good quarter, with production and overburden removal targets being exceeded due to better than modelled weather conditions. Operating costs also benefited from reduced diesel costs, as well as deferment of non-essential repairs and maintenance spend, meaning costs were maintained despite the increased operational activity.

Exploration

$670k consolidated spend across projects for Q4.

Buller Project

No further drilling has been done in the Sullivan coal mining licence area, as a wildlife permit application is awaiting approval, which will allow the remaining holes to be drilled. The project for the concept Upper Waimangaroa haul road progressed, with major environmental baseline studies completed during the quarter.

Domestic

The Waipuna West Extension project at Rotowaro has been updated and has resulted in an improved mine plan. A report is being prepared to enable engagement with key customers.

An initial drill programme to test an extension at Takitimu was completed; results are pending.

Development

$9.5m consolidated spend across all projects for Q4, with key spend on:

- Capitalised stripping from operating mine pits.
- Construction of the major new water treatment sump and dosing plant at Stockton continued. These facilities will significantly reduce water treatment costs and provide for future expansions of the Cypress mining area.
- Consenting costs at Canterbury, resource development drilling at Takitimu and Rotowaro; fines coal storage at Stockton.

Crown Mountain

The bankable feasibility study ("BFS") progressed toward completion during the quarter, with key findings released early July by joint venture partner Jameson on the ASX (ASX code: JAL). The BFS reaffirmed Crown Mountain as a high-quality coking coal opportunity for development with a competitive operating and capital cost structure.

The environmental assessment is on track for the application to be submitted in Q1 of CY2021.

Bathurst's equity share is 22.2 percent of the project including 2.2 percent held as preference shares from the tranche two option advance.

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CORPORATE

Litigation

On 24 April 2020 the Court of Appeal dismissed Bathurst's challenge to a 2018 High Court judgment which had held it liable to make payment of a US$40m "Performance Payment" to L&M Coal Holdings Ltd ("LMCH") under the terms of the Agreement of Sale and Purchase ("ASP") dated 10 June 2010 entered into by the parties. Since that time, Bathurst and LMCH have been working constructively to agree a payment schedule.

On 4 May 2020 LMCH served notice of arbitration on Bathurst claiming that the second Performance Payment under the ASP is due resulting from alleged Change in Control events. Bathurst has undertaken a forensic analysis of its shareholder register and there are no occasions where the 50% threshold has been breached. LMCH has also alleged that certain shareholders have undisclosed associations and have exerted effective control over Bathurst's Board of Directors, and its subsidiary Bathurst New Zealand Ltd. These allegations are denied and Bathurst will vigorously defend these claims as Bathurst believes the allegations are opportunistic and vexatious.

On 27 July 2020 the Supreme Court of New Zealand granted special leave to Bathurst to appeal the Court of Appeal decision. There is no date yet set for hearing Bathurst's appeal, however this is expected to be either later this year or early 2021.

This document was authorised for release on behalf of the Board of Directors on 31 July 2020.



Richard Tacon, CEO

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At 30 June:

Share price: AU 4.9 cents
Issued Capital: 1,707m ordinary shares
Market capitalisation: AUD $83.6m

Bathurst Resources Limited

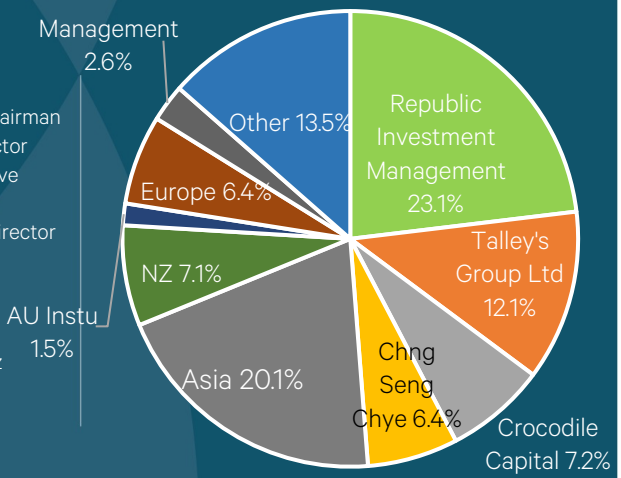
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Unless otherwise noted, all dollar amounts referred to in this report are in New Zealand dollars

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