BATHURST
RESOURCES LIMITED

Quarterly Report

September 22 quarter

Key highlights

- $41m consolidated EBITDA[1] reported for Q1, a $29m increase on PCP.
- EBITDA guidance maintained at $120m to $130m.
- Finalists in three award categories at the New Zealand Minerals Sector Awards 2022; winner of the health and safety category.

CEO'S COMMENTS

We remain on track to reach our full year EBITDA guidance of $120m to $130m. The export coal price has stabilised over the last few months, with benefits flowing through from realised coal price hedging during the quarter. Despite continued cost inflationary pressures at near record New Zealand highs, as we move into summer and the domestic sales tonnes pick up, we expect to see earnings increase again in Q2.

It was a challenging quarter from an operational perspective, with most of our sites impacted by heavy rainfall. Our workforce was also impacted by the cooler winter weather, with a ramp up in COVID and flu related absences, however we are pleased to see COVID numbers reducing back down to nearly zero.

Projects to convert resources to reserves are ongoing, with progress on the Buller project advancing well, reaching the final investment decision stage. Customer contracts for the Waipuna West extension to the Rotowaro mine are at execution stage, with the mine ready to develop this next pit area on receipt of final resource consent approvals.

The annual update to our resource and reserves has been released, with only minor adjustments to reserves primarily reflecting the removal of the Canterbury mine tonnes offset by the re-recognition of reserves in the Buller project.

Recognising excellence, we were announced the winner in the health and safety category at the New Zealand Minerals Sector Awards 2022 held in October. Our submission covered our company wide occupational hygiene knowledge capacity building programme. Our other finalists were in the ESG category for the acid mine drainage prediction and prevention work at the Canterbury mine, and the innovation category for the proactive steps taken to better support our people during widespread community transmission of COVID.

[1] EBITDA is a non-GAAP reporting measure and reflects earnings before net finance costs (including interest), tax, depreciation, amortisation, impairment, non-cash fair value movements on deferred consideration and rehabilitation provisions.

HEALTH, SAFETY AND ENVIRONMENT

There were two lost time injuries at Stockton during the quarter. A mine worker strained their back travelling in a light vehicle on an uneven surface within an active mining area, resulting in four lost days. In the second event, a mine worker caught their hand between a trailer coupling and a light vehicle resulting in five lost days.

During September the New Zealand Government changed a number of COVID public health settings such as the removal of face masks (in non-healthcare workplaces), however, the requirement of seven days isolation remains in place. We have recorded a significant reduction in COVID cases within our workforce over the quarter, with only seven cases recorded in September.

A statistical analysis of two years of occupational hygiene monitoring data has been completed. The output of the review assists us to validate our identification of occupational hazards and has informed a revision to our similar exposure groups before the next round of monitoring begins in this summer.

A training system audit was completed during quarter at all sites. Each site has developed an action plan to focus on improvements to risk systems training and record keeping practices, and enhancing our competency-based operator learning outcomes.

PERFORMANCE METRICS

September quarter	Export 100%	NID[2] 100%	SID[2] 100%	BRL equity share	Prior period equity share
Production (kt)	265	101	47	**285**	**300**
Sales (kt)	261	154	49	**319**	**337**
Overburden (Bcm '000)	1,247	1,111	293	**1,825**	**1,858**
Coal sales revenue ($'000)	115,437[3]	23,483	8,522	**98,820**	**54,534**
Production costs ($'000)	(46,988)	(23,633)	(8,078)	**(53,982)**	**(41,056)**

We have 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 are costs directly attributable to the production of coal and include cash and non-cash costs.

[2] North Island domestic and South Island domestic.
[3] Includes realised FX and coal price hedging income of $15m.

CONSOLIDATED CASH MOVEMENTS

		Q1 FY23	Q1FY22
	Opening cash	**76.0m**	**20.2m**
Operating	EBITDA	41.4	12.6
	Working capital	(2.9)	(4.4)
	Canterbury rehabilitation	(0.4)	-
	BT Mining corporation tax paid	(23.2)	-
Investing	Deferred consideration	(0.2)	(0.2)
	Crown Mountain	(0.2)	(0.2)
	Property, plant and equipment net of disposals	(3.9)	(1.7)
	Mining development including capitalised stripping	(3.4)	(2.6)
Financing	Finance lease repayments	(1.0)	(2.5)
	Interest payment on AUD convertible bonds	-	(0.5)
	Borrowings repayments	(0.1)	(0.7)
	Finance income/(costs)	0.2	(0.1)
	Closing cash	**82.3m**	**19.9m**

EBITDA

Export (equity share): $44m (Q1 FY22: $10m)

Revenue benefited from:

- A higher average HCC benchmark for the quarter (USD $287 per tonne versus USD $203 per tonne in the prior comparative period ("PCP")).
- The USD:NZD foreign exchange rate which was an average of $0.62 this quarter versus $0.69 PCP, translating to higher revenue when translated into NZD.
- A $10m realised hedging gain versus a $4m loss in the PCP. This reflects a decreasing rather than increasing HCC price path.

Costs were impacted by:

- Operational inefficiencies from a significant rainfall event in August that led to another declared State of Emergency for the region.
- Coal purchases, the pricing of which is pegged to the USD HCC pricing benchmark.
- Fuel costs which have doubled over the last 12 months, and impact both onsite operations and freight.
- Employee profit share and sales commission expense which are influenced by revenue.
- Higher labour and other material input costs driven by inflationary pressures.
- Contractors engaged for the quarter for overburden removal (only 1 month in the PCP). This was to allow the mine's resources to be solely focused on coal winning and rehabilitation given the operational disruptions from wet weather and COVID related absences.

Domestic (NID & SID) including corporate overheads (equity share): -$3m (Q1 FY22 $3m)

- The decrease in EBITDA versus PCP is in the NID segment.
- Underlying contractual price increases due to PPI price escalations fully compensated for a planned reduction in sales volumes leading to a favourable revenue variance.
- Costs have increased considerably. A slip caused by rainfall at Maramarua in June meant resources had to be diverted to remediate the slip. Rotowaro was able to cover Maramarua's sales volumes, but overall production and stripping volumes were also negatively impacted by high rainfall and delays to the stream diversion project.
- These operational challenges meant having to draw down on stockpiles, whilst also incurring fixed costs (primarily labour and repairs and maintenance ("R&M").
- The effects of underlying inflationary cost increases (primarily higher fuel and labour costs), and a step up in R&M requirements at Rotowaro reflecting the lifecycle of the machinery also had an impact.

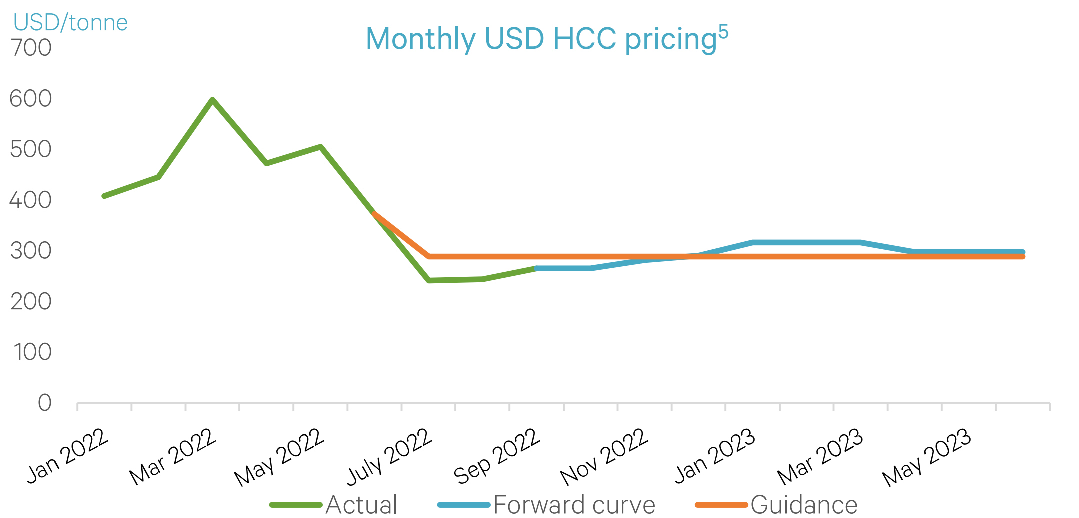
FY23 EBITDA GUIDANCE $120M - $130M

	Metric	Export	NID[4]	SID[4]	BRL equity share
Sales	kt	1,266	628	205	1,436
EBITDA	NZD	$145.3m to $160.6m	$35.1m	$2.6m	$120m to $130m

Key export guidance assumptions

Forecast export sales pricing is indicatively based on an annual average HCC benchmark of USD $288 at $0.66 NZ:USD across all sales types including thermal coal sales.

Export market update



- After a steep drop in pricing through May and June as the market returned to more sustainable pricing levels, we have seen the benchmark stabilise over the last few months.
- Whilst pricing volatility is likely, the outlook remains positive due to ongoing tight supply with some met coal shifting to the buoyant thermal market, and with coal production still lagging behind previous levels.
- Key macro market factors expected to influence future pricing are:
    - The war in the Ukraine and associated sanctions which continue to impact the market with coal trade routes shifting from historical destinations, with increased volumes of Russian coal moving into India and China.
    - The Chinese steel market remains relatively weak with ongoing COVID lockdowns impacting demand. It is expected government stimulus will help lift economic activity including the real estate market which will drive steel demand.

[4] EBITDA includes corporate overheads for BT Mining in NID, Bathurst in SID.
[5] Actual USD monthly export benchmark pricing based on S&P Global Platts Premium Low Vol benchmark daily spot pricing. Forward curve is based on the 3 October 2022 S&P Global Platts Premium Hard Coking Coal Australia FOB derivative assessment.

OPERATIONS REVIEW

Export (Stockton) (65%)

There were seven shipments in the quarter, with sales of 261kt. Sales tonnes were moved out of the quarter partly due to production constraints (covered below), and at the request of a customer due to operational changes from sanctions of Russian coal in Japan. It is expected that production volumes will return to normal, and the total sales budget will be met for the year.

Average price per tonne ("/t") received excluding hedging was NZD $385/t, lower than the NZD $591/t received in the previous quarter. This reflects the expected reduction in the HCC pricing benchmark to more sustainable levels.

Production and overburden removal continued to be impacted by the weather, and to a lesser extent COVID related absences. Another significant wet weather event leading to a state of emergency declaration in August led to significant lost operational hours. The use of contractors will continue for the foreseeable future to help ensure production levels can be recouped.

To reduce sales price fluctuation exposure, 221kt of sales were hedged at quarter end at an effective average price of NZD $489 per tonne.

NID (65%)

Rotowaro

Overburden removal and production tonnes were both impacted by wet weather, and continued delays from the stream diversion which is a CAPEX project to access coal reserves.

The mine expects to recoup coal volumes in Q2, as the original mine plan sequencing assumed available coal would be depleted with low volumes in Q2.

At the time of releasing this report the site had completed a critical section of the foundation of the stream diversion which will allow more overburden removal in the coming months than budgeted.

Sales volumes increased as the mine covered the shortfall from Maramarua, enabled by a drawdown on stockpiles.

Maramarua

Production and overburden volumes were down by a third, as a flow on impact from a slip that occurred in June from a significant rainfall event.

Sales tonnes were reduced as a result, with volumes supplied out of Rotowaro.

An additional excavator and trucks to allow a third plant group to move the slip material were bought on site. Going forward stock on hand levels will be doubled to increase contingency levels.

SID (100%)

Takitimu

Production, overburden stripping and sales volumes were all ahead of budget for the quarter to meet additional sales volumes to a new customer that are expected to continue.

Exploration

$325k consolidated spend across projects for Q1. Key works consisted of:

- Drilling, baseline studies and AEE for the New Brighton permit (Takitimu mine) to support resource development.
- Escarpment mine design planning including hydrology work (Buller project).

Development

$3.0m consolidated spend across all projects for Q1, with key spend on:

- $2.4m on capitalised stripping from operating mine pits.
- Construction work on the new water treatment sump at Stockton.
- Fines coal storage project at Stockton.
- Resource development drilling at the Cypress South pit, a new mine area at Stockton.
- Stream diversion construction to access coal reserves at the Rotowaro mine.

Crown Mountain

The project is progressing through key regulatory milestones. In August, based on successful progress of the assessment process and support from key indigenous nations, the Impact Assessment Agency of Canada confirmed the extension to the existing approval process to enable completion of the environmental assessment. The public technical review of the environmental application is expected in early 2023.

The equity share remains at 22.1 percent of the project including 2.1 percent held as preference shares from an advance of Tranche 2 funds. Funds issued in this financial year ($0.2m NZD) are a non-callable loan.

CORPORATE

Litigation

The legal actions bought against Bathurst by L&M Coal Holdings Ltd continue. The substantive hearing on the Change in Control allegations commenced in July 2022, and due to counsel/arbitrator availability, will be concluded in mid-November. We expect a decision on this matter in late 2022 or first quarter 2023.

With respect to the claim against Buller Coal Ltd relating to the Deed of Guarantee & Security the hearing took place in June 2022 and a decision is expected by the end of the year.

We continue to believe based on legal advice that it is unlikely these claims will be successful.

For further information refer to a previous quarterly here or note 23 in the recently released financial statements.

Annual general meeting

The AGM has been set for Wednesday 30 November 2022, at 11 am NZDT. It will be held in person in Wellington, New Zealand, at the offices of Minter Ellison, 18/125 The Terrace, Wellington.

This document was authorised for release on behalf of the Board of Directors on 31 October 2022.

Investor relations

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At 18 October 2022:

Share price: AU $1
Issued Capital: 191.4m ordinary shares
Market capitalisation: AUD $191.4m

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Francois Tumahai – Non-executive director
Russell Middleton – Executive director

ASX Code: BRL
Website and email
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Company Secretary
Larissa Brown

Shareholdings

Substantial holder/geographical location	Shareholding %
Republic Investment Management (Singapore)	21.4%
Talley's Group Limited (NZ)	10.8%
Crocodile Capital (Europe)	7.6%
Chng Seng Chye (Singapore)	6.0%
Asia	24.9%
Europe	9.1%
New Zealand	5.2%
Management	2.1%
AU Institutional	2.0%
Other	11.0%
Total	100%

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