



H1 FY23 RESULTS ANNOUNCEMENT

28 February 2023: Bathurst Resources Limited 31 December 2022 half year result

RECORD HALF YEAR PROFIT:

- **70 percent increase in revenue**
- **901 percent increase in earnings profit**

Financial measures (NZD)	H1 FY22 \$m	H1 FY21 \$m
Revenue ¹	211.7	124.6
EBITDA ²	83.2	46.7
Profit after tax	45.8	4.6
Cash	103.1	41.8

CEO'S COMMENTS

The H1 FY23 results represent a record half year operating surplus, despite increased costs. The record results were bolstered by strong export segment pricing, and to continue to convert this increased pricing into profit, the company has commenced an extensive review to deliver cost reductions going forward. Whilst broader market trends have clearly supported the outstanding financial result, the company's overall success continues to be underpinned by strong operational performance, at times in extremely challenging conditions.

The benchmark price that our export sales are priced against remains high mainly due to strong demand and the ongoing uncertainty around the Russian invasion of Ukraine and associated sanctions and China's economic outlook. More recently, the HCC price has increased slightly with China showing signs of relaxing its unofficial ban on Australian coal where coal supply remains tight with further wet weather impacting ship loading out of several Australian ports. The lower grade coals are also well supported as the thermal market continues to remain elevated due to the ongoing Russian sanctions tightening supply and lifting demand for alternatives.

Records inflation levels in New Zealand during 2022 have directly impacted fuel costs, the cost of machinery parts and the cost of labour. Although we are experiencing increased costs as a result, the increased revenue growth has enabled us to achieve our record operating surplus.

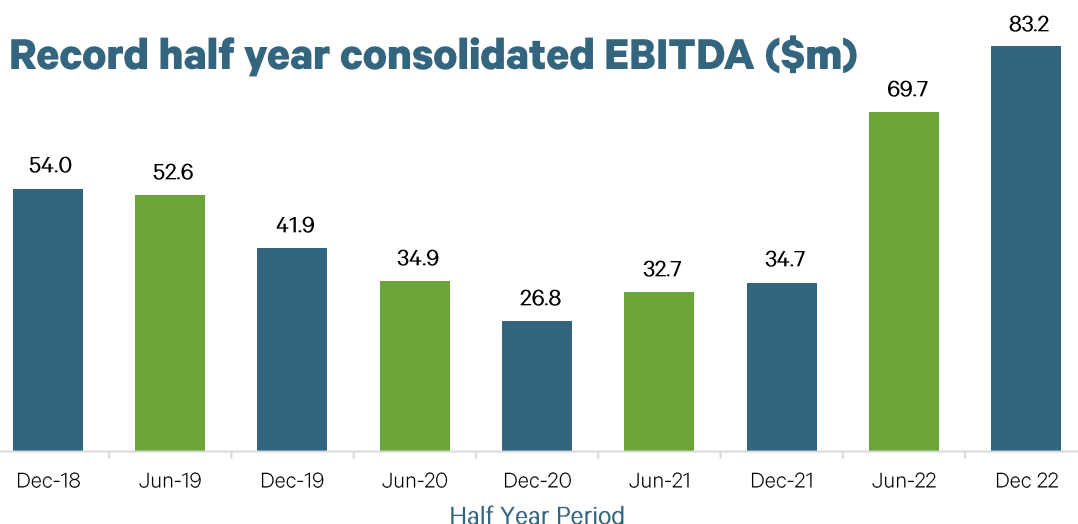
Continued coal price hedging has helped to protect revenue in our export segment from reductions in the benchmark price during the year. The realised hedging gains have increased in line with drops in pricing levels, as the market corrects itself from the historic highs experienced at the beginning of 2022. It confirms the adoption of the hedging strategy which, over recent financial years, has provided essential additional revenue and helped to underpin sound capital management as well as mitigating market risk.

¹Includes realised FX and coal pricing hedges on export sales. Unrealised movements in coal pricing and FX hedging goes through other comprehensive income.

²EBITDA 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.

Looking to the future, we expect our export segment to continue to perform with the expectation that pricing levels will remain relatively stable throughout the remainder of the year and further cost reductions are able to be implemented.

After reviewing the matter during the H1 reporting period, the recently announced dismissal by the Appointed Arbitrator of the change in control claim made L&M Coal Holdings Ltd ("L&M") against Bathurst, provides confidence for the board that the risk of L&M impacting the financial performance of the company in the H2 is further mitigated.



OPERATIONS

Bathurst Resources is New Zealand's leading coal producer, and a major contributor to the country's overall energy supply, 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		Export H1 FY22	Export H1 FY21
Measure			
Production (100% basis)	kt	500	475
Sales (100% basis)	kt	652	563
Overburden (100% basis)	Bcm 000	2,619	1,964
Revenue incl. realised hedging (equity share basis)	\$'000	147,989	74,075
Average price received per tonne (100% basis)	\$/t	370	203
EBITDA (equity share basis)	\$'000	83,259	24,012

Commentary:

Production and sales	Increased due to higher sales pricing.
Revenue	<ul style="list-style-type: none"> The average sales price was \$370/tonne H1FY23 versus \$203/tonne H1FY22.

Earnings	<p>Underlying cost increases have partially offset the uplift in revenue:</p> <ul style="list-style-type: none"> Increased labour rates and an increase in FTE. Fuel pricing which increased an average \$0.84/litre. Profit share for employees which is pegged to uplifts in sales revenue. Significant increases in the cost of machine parts. Contractor costs have increased related to increased stripping volumes, as well as fuel, parts and labour cost <p>Note that the increase in export EBITDA to that as reported in the 31 December quarterly activities update (\$82.1m) is due to reallocation of costs to corporate overheads.</p>
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Domestic operations

Measure		Domestic H1 FY23	Domestic H1 FY22
Production (100% basis)	kt	346	477
Sales (100% basis)	kt	453	476
Overburden (100% basis)	Bcm 000	3,190	3,674
Revenue (equity share basis)	\$'000	54,752	50,523
EBITDA (equity share basis)	\$'000	9,610	19,038

Commentary:

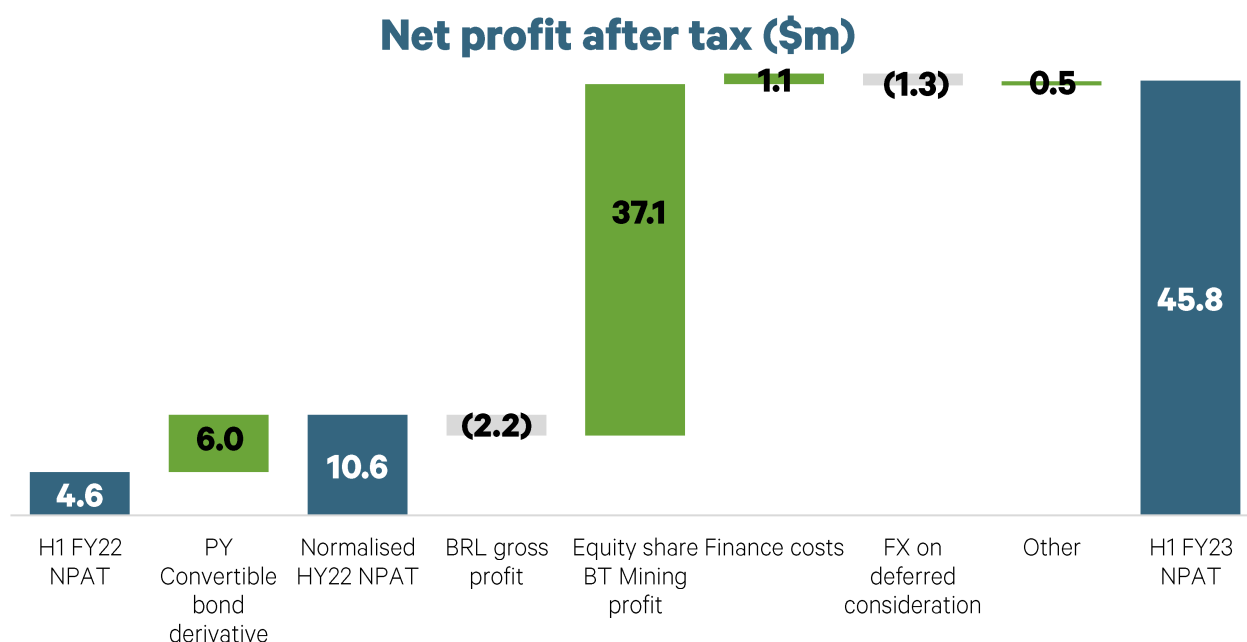
Sales	<p>North Island domestic ("NID") reduced by 23kt due to decreased sales volumes to an energy producing customer.</p> <p>South Island domestic ("SID") sales volumes declined slightly by 1kt.</p>
Overburden	<p>Waste moved in advance has reduced at the Rotowaro mine as it moves closer to the end of its mine life, as well as reduced volumes at the Takitimu mine in line with the mine plan. This was partially offset by increased overburden removal at the Maramarua mine.</p>
Revenue	<p>NID sales experienced an increased average price per tonne due to adjustment clauses in sales contracts that allow for changes to producer price index, fuel, and labour.</p> <p>SID saw an increase in sales revenue due to increased price escalation and higher graded product mix. Increased sales volumes also increased revenue.</p>
EBITDA	<p>NID EBITDA decreased \$8m as costs increases offset the uplift in revenue, primarily due to:</p> <ul style="list-style-type: none"> Fuel has increased an average \$0.85/litre. Labour costs have increased in line with contractual CPI adjustments, coupled with increased FTE in preparation of the Waipuna West extension commencement. Repairs and maintenance costs have increased as the life cycle of machines have required component change outs with a view to remain available for the extended life of the Waipuna West extension. Operational insurance premiums have increased. <p>SID EBITDA decreased \$1m which is primarily driven by increases in costs, particular fuel costs as well as the increased cost of labour which have offset the increase in revenue.</p>

Corporate

Corporate overhead costs included in the total group consolidated EBITDA increased compared to the prior period, \$9.6m H1 FY23 versus \$8.4m in H1 FY22. This reflects an increase in overhead expenses:

- Increase in resource proving costs of \$0.5m
- Increased consultant costs of \$0.5m
- Legal fees in relation to the L&M case increased by \$0.2m

FINANCIAL RESULTS



Key movements in net profit after tax:

PY convertible bond derivative	+\$6.0m	The movement from the prior year reflects the valuation of the conversion option of the AUD convertible bonds, with an expense recorded as Bathurst's share price exceeded the strike price of the bonds. This was a non-cash item, with the other side to the expense recorded in issued equity. The bonds were converted to shares during the prior year.
BRL gross operating profit	-\$2.2m	Increased sales revenue was offset by significant increases in the cost of mining, largely driven by reduced capitalised stripping and the cost of embedded carbon.
Equity share of joint venture BT Mining profit	+\$37.1m	Increase from export operations driven by continued 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.

Finance costs	+\$1.1m	Reduction of interest paid on debt instruments, namely the prior year AUD convertible bonds derivative.
FX on deferred consideration	-\$1.3m	An unfavourable movement in the translation of USD denominated deferred consideration into NZD lead to 4ptimizati foreign exchange loss.
Other	+0.5m	Reduction in administration costs, depreciation which were offset partially by a reduction in finance income.

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 2022 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 optimization 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.

An environmental assessment process and consent agreement was executed with key indigenous nations in January 2023. The executed agreement includes innovative accelerated reclamation initiatives, best practice environmental design, management and monitors to ensure protection of the flora, for a and water quality.

Bathurst's equity share is 22.1 percent with the option to buy-in to 50 percent of the project.

CASH FLOWS

		H1 2023	H1 2022
	Opening cash 30 June	76.0m	20.2m
Operating	EBITDA	83.2	34.7
	Working capital	(14.1)	6.1
	Canterbury rehabilitation	(0.4)	(1.9)
	Corporation tax paid	(24.8)	-
Investing	Deferred consideration	(0.2)	(1.6)
	Crown Mountain (environmental assessment application)	(0.4)	(0.4)
	PPE net of disposals	(7.9)	(3.6)
	Mining assets including capitalised stripping	(8.2)	(4.7)
Financing	Finance leases	(0.9)	(4.7)
	Interest repayment on AUD convertible bonds	-	(0.5)
	Borrowings repayments	(0.1)	(1.7)
	Financing income/(costs)	0.9	(0.1)
	Closing cash 31 December	103.1m	41.8m

Canterbury rehabilitation

The mine was closed at the end of June 2021, rehabilitation have been delayed due to poor weather and is due to be completed during H2 2023.

Corporation tax paid

For cash management purposes, the H1 2022 tax payments were deferred to March/April 2022.

Working capital

The timing of sales during the period resulted in an increase in trade debtors. Other movements relate to prepaid operating expenses and movement of stock on hand.

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

Increased capitalised stripping across operating mine pits, resource drilling at Cypress South pit (Stockton) and stream diversion at the Rotowaro mine

Financing

Increased interest received for cash on hand during H1 2023.

CORPORATE

Dividends

No dividends were paid or declared during the period.

LITIGATION

The legal action brought against Bathurst by L&M Coal Holdings Ltd continues. We continue to believe based on legal advice that it is unlikely these claims will be successful.

Earlier this month, the Appointed Arbitrator dismissed the L&M change in control claim against Bathurst after reviewing the matter during the latter part of 2022.

For further information refer note 7 in the financial statements.

This release was authorised for issue by the board of directors on 27 February 2023.

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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 2022:

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Talley's Group Ltd
Crocodile Capital
Chng Seng Chye

ASX Code: BRL

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