

MEDIA RELEASE

26 February 2020: Bathurst Resources Limited FY20 interim result

BATHURST ACHIEVES STRONG FINANCIAL RESULTS, AMIDST A CHALLENGING EXPORT COAL PRICING MARKET

Bathurst Resources Limited ("Bathurst" or "Company") (ASX: BRL) is pleased to announce its half year results for the six months ended 31 December 2019.

Financial measures (NZD)	H1 FY20 \$m	H1 FY19 \$m	
Revenue ¹	129.3	140.4	Export coal pricing has been the key driver of a decrease in revenue and other key financial metrics versus the prior comparative reporting period.
EBITDA ²	41.9	54.0	
Net profit after tax	14.5	25.4	
Cash	33.4	30.7	

With a continued focus on cost control, directors are pleased to note that the export segment still achieved a strong profit, despite the challenging pricing environment for metallurgical coal. Additionally, the domestic business again provided steady and reliable cash flows, with earnings increasing marginally compared to the same period last year.

CEO Richard Tacon said "The first half of FY20 saw a significant decrease in the hard coking coal benchmark index, which drives the price that we can achieve on our export coal sales. Contracted forward sales have come into their own during this period, reducing the impact of these pricing decreases."

Mr. Tacon also noted that the positive performance of the domestic business highlights the integral value of this segment to the overall company strategy, helping to de-risk the business from being fully exposed to variability in export coal pricing.

"Looking forward, we have already communicated to the market the expected impact on full year earnings via EBITDA guidance issued in the December 2019 quarterly, now forecast at \$70m, down from \$78m³. And whilst management continue to steer the business successfully through this depressed export pricing, the focus will be maintained on domestic and offshore growth properties. We were very pleased to approve the tranche two option advance in the Crown Mountain project in December, signaling our continued confidence in the progress of this project."

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

² Earnings before net finance costs (including interest), tax, depreciation, amortisation, impairment, non-cash fair value movements on deferred consideration and rehabilitation provisions.

³ Excluding the impact on EBITDA from adoption of the new lease accounting standard, refer next page for more information. www.bathurst.co.nz

RECONCILIATION OF EBITDA REPORTED IN THE QUARTERLY TO THE HALF YEAR ACCOUNTS

Item	\$m
EBITDA reported in the December quarterly	36.9
Impact on EBITDA from NZ IFRS 16 Leases for six months to 31 December	3.1
Reclassification of realised hedging to operating results	1.9
Updated EBITDA	41.9

- The new leasing accounting standard removes the distinction between operating and finance leases for lessees. This means the Group now recognises most leases where the Group is a lessee on the balance sheet, similar to the previous finance lease model. This has resulted in the recognition of right-of-use assets and related lease liability balances.

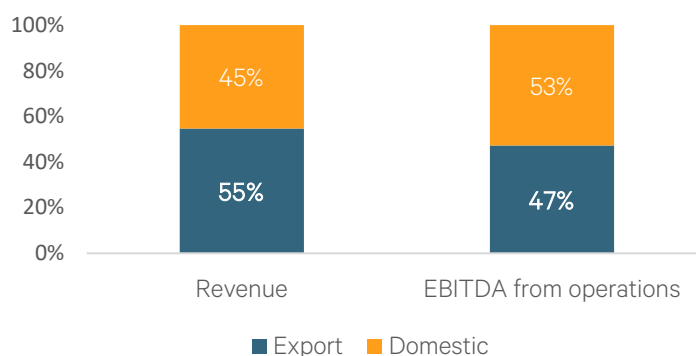
Rental payments for leases previously classified as operating leases, primarily corporate property and yellow goods hire, have moved from being included in operating expenses to items excluded from the EBITDA calculation (depreciation and finance interest expenses). The impact on profit for the Group was immaterial.

- Realised FX hedging and forward sales contracts on the Group's export sales were transferred to operating results to align with the sales recorded.

OPERATIONS

Bathurst is New Zealand's leading coal producer, engaging in the development and production of coking and thermal coal in New Zealand.

The below graph shows revenue and EBITDA from operations by operating segment.



Export operations (65 percent equity share via BT Mining)

Measure	Export H1 FY20	Export H1 FY19
Production (kt) (100% basis)	515	555
Sales (kt) (100% basis)	637	621
Overburden (Bcm 000) (100% basis)	2,105	2,322
Revenue incl. realised hedging (\$'000)	72,361	82,257
EBITDA (\$'000)	23,116	34,938

Please note that financial figures in this release are 100% Bathurst and 65% BT Mining and in NZD unless otherwise disclosed

The decrease in export coking coal pricing has had a significant impact on the revenue and EBITDA recorded versus the prior comparative period. Pricing was an average in FY19 of USD \$205 per tonne, this reduced to early USD \$150s in Q1 of FY20, and early USD \$140s in Q2. Costs relating to de-risking the operations of the Cypress pit have also increased costs marginally.

Sales and production were in line with budget for the first six months of the year.

Domestic operations

Measure	Domestic H1 FY20	Domestic H1 FY19
Production (kt) (100% basis)	554	650
Sales (kt) (100% basis)	581	663
Overburden (Bcm 000) (100% basis)	7,105	8,085
Revenue (\$'000)	56,939	58,171
EBITDA (\$'000)	25,891	25,576

Revenue for the domestic business as a whole has decreased marginally from the prior period driven by the South Island domestic business losing a customer, and realignment of production to better support strategic customers. The North Island segment saw a marginal increase in revenue driven by an uplift in pricing on coal sales.

EBITDA is consistent to the prior period. This reflects the retraction in sales for the South Island domestic business, offset by increased capitalisation of stripping costs in the North Island segment. This comes from re-evaluation of two key pits after initial pre-production stripping was removed and capitalised, and the capitalisation of stripping costs at the Waipuna West extension.

KEY GROWTH PROJECTS

Project location	Project description
British Columbia, Canada	Crown Mountain project – coking coal joint venture.
South Island, New Zealand	Drilling and consenting works underway in Bathurst and BT Mining's Denniston plateau projects to assess converting resources to reserves and to commence prefeasibility studies.
North Island, New Zealand	Rotowaro North and Waipuna West extension projects to the Rotowaro mine.

Crown Mountain project, Canada

- All material coal quality testing work has been completed, with the bankable feasibility study (“BFS”) well advanced and on course for a calendar year (“CY”) Q1 2020 completion.
- Drafting of the application for an environmental assessment certificate remains on track for a CY Q2 2020 submittal.
- Water quality modelling continues to show promising results from the selenium mitigation strategy.
- Bathurst's equity share is now 21.5 percent of the project including the 1.5 percentage held as preference shares from the tranche two option advance. Funds from the advance will be used to progress the BFS and environmental application efforts.

North Island, New Zealand

- The Rotowaro North extension project for the Rotowaro mine is on hold pending negotiations with key external stakeholders.
- Progress on the Waipuna West extension project is advancing well, with the project description and development plan completed for internal review and approval.

CASH FLOWS

		YTD
	Opening cash 30 June	\$38.5m
Operating	EBITDA Working capital Tax	\$41.9m \$3.8m (\$9.3m)
Investing	Deferred consideration Crown Mountain PPE Mining assets including capitalised stripping	(\$5.0m) (\$4.3m) (\$5.6m) (\$15.9m)
Financing	Finance leases Dividend Other financing	(\$4.8m) (\$5.5m) (\$0.4m)
	Closing cash 31 December	\$33.4m

One-off items

BRL maiden dividend \$5.5m & Crown Mountain investments \$4.3m.

Mining assets

Capitalised stripping increase largely from the re-evaluation of life of mine for key North Island pits.

Deferred consideration

Majority paid to Solid Energy whom the BT Mining assets were purchased from.

CORPORATE

Dividends

The dividend relating to the 30 June 2019 reporting period was paid on the 23 October 2019. The dividend was set at AU 0.3¢ per share and came to a total cost of NZD \$5.5m.

Extension to term of USD bonds

Holders of the USD bonds agreed in January 2020 to extend the term of the USD bonds for a further year, from 1 February 2020 to 1 February 2021. All other terms of the bonds remain unchanged.

CONTINGENT LIABILITIES

On 23 December 2016, Bathurst announced that L&M Coal Holdings Limited 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 9 (b) of the 31 December 2019 financial statements. On 20 August 2018 Bathurst advised that it received an unfavourable judgment from the High Court on this matter.

Bathurst lodged an appeal to the Court of Appeal, which was heard in court on 21 to 23 August 2019. Based on legal advice, Bathurst continues to believe that it is more likely than not that it will be successful in the Court of Appeal. A judgment is expected from the Court of Appeal in the first quarter of 2020. Notwithstanding this, should Bathurst ultimately be unsuccessful, directors have considered options to fund payment and are of the view that Bathurst would be able to do so.

FY20 GUIDANCE

Updated FY20 EBITDA guidance was released in the December 2019 quarterly. For full information, please refer [HERE](#)

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

Bathurst Resources Limited

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Chief Executive Officer

Richard Tacon

Directors

Toko Kapea – Non-executive chairman
Richard Tacon – Executive director
Peter Westerhuis – Non-executive director
Russell Middleton – Executive director

Substantial holders

Republic Investment Management Pte Ltd:
23.1%
Talley's Group Ltd 12.1%
Crocodile Capital: 7.2%
Chng Seng Chye: 6.3%

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