

# Quarterly Report

March 2020 quarter

## Highlights

- Consolidated<sup>1</sup> EBITDA<sup>2</sup> at 31 March \$60.2m (unaudited).
- Total recordable injury frequency rate 6.5.
- Crown Mountain project progressing, with bankable feasibility study and environmental application reviews by Bathurst management completed during the quarter.
- Consolidated cash at 31 March \$23.6m.
- Implementation of Business Continuity Pandemic Plan to ensure heightened safety measures for operations during COVID-19.

## CEO'S COMMENTS

These are unprecedented times and with the level of uncertainty due to the COVID-19 pandemic, the Board during the quarter retracted its previously issued EBITDA guidance.

As with most other businesses, the impacts felt both here in New Zealand and overseas from the COVID-19 pandemic have provided a unique set of challenges for our business, as we have responded to the changes required by the New Zealand ("NZ") Government in their response to the virus. This saw our export operations go on standby for a period of just over four weeks from the 26 March, and our domestic operations adopting enhanced safety measures to ensure they could continue to operate safely during the NZ Government lockdown.

With well-established health and safety protocols already across the business, the additional measures required in order to operate safely within this environment were put in place in a systematic manner. These have added an additional level of complexity but have proven effective and are being used at the Stockton mine which resumed operations on the 28 April. The Board expects COVID-19 safety measures to be in place until the NZ Government ceases the use of COVID-19 Alert Levels.

Our appreciation for our employees, valued long term customers and key logistic suppliers in working with us as we have navigated through both the short- and longer-term impacts cannot be overstated.

The judgment from the Court of Appeal which upheld the case brought against Bathurst by L&M Coal Holdings Ltd was disappointing. We are working through the Court of Appeal's judgment and expect to be able to provide clarification on next steps shortly.

<sup>1</sup> Consolidated in this document means 100 percent Bathurst and 65 percent equity share of BT Mining (export and North Island domestic segments).

<sup>2</sup> 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 was one lost time injury during Q3 resulting in three days lost time. A contractor sustained a laceration to the end of the left index finger while completing maintenance work on a haul truck in late December. Six stitches were received, and the tradesman returned to work the same day. In January, the wound became infected resulting in surgical amputation down to the first joint.

As with many workplaces, COVID-19 has considerably affected our business. Due to the export operations being suspended by the NZ Government, 38 percent of our workforce were stood down during an Alert Level 4 lockdown. We had 20 percent of the workforce working from home and 5 percent were off work following Government stay at home recommendations, aimed at workers with at-risk health conditions.

In March, we developed a Business Continuity Pandemic Plan that includes our health and safety protocols for working with COVID-19. The risk-based protocols include aspects of physical distancing, hygiene, cleaning, travelling to and from work, and creation of small crew sizes to reduce people interactions.

## PERFORMANCE METRICS

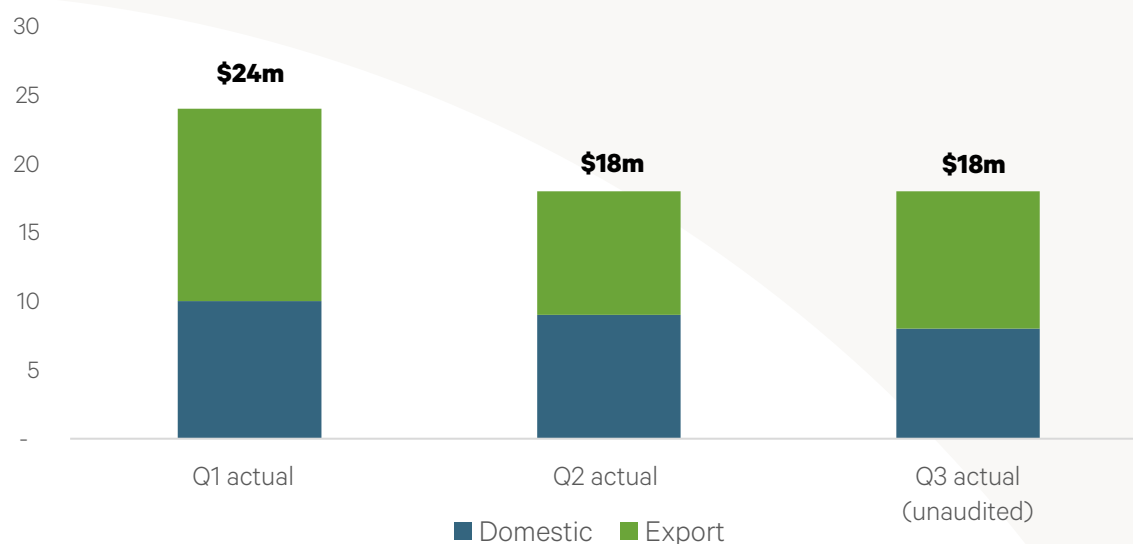
	<b>Export 100%</b>	<b>NID<sup>1</sup> 100%</b>	<b>SID<sup>1</sup> 100%</b>	<b>BRL equity share</b>	<b>Prior period equity share</b>
<b>March quarter</b>					
Production (kt)	242	243	85	<b>401</b>	<b>425</b>
Sales (kt)	204	191	90	<b>347</b>	<b>428</b>
Overburden (Bcm '000)	1,168	3,493	816	<b>3,845</b>	<b>4,162</b>
Coal sales revenue (\$'000)	32,503	23,310	12,135	<b>48,414</b>	<b>71,940</b>
Production costs (\$'000)	(20,409)	(15,439)	(8,593)	<b>(31,894)</b>	
<b>March YTD</b>					
Production (kt)	756	639	243	<b>1,150</b>	<b>1,279</b>
Sales (kt)	841	590	273	<b>1,203</b>	<b>1,338</b>
Overburden (Bcm '000)	3,272	8,876	2,538	<b>10,434</b>	<b>11,695</b>
Coal sales revenue (\$'000)	138,144	72,134	37,338	<b>174,019</b>	<b>216,700</b>

Production costs have been included for the first time, as required by the 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.

<sup>1</sup> North Island domestic and South Island domestic.

## YTD CONSOLIDATED EBITDA



### Impact of new leasing accounting standard on EBITDA

The new leasing accounting standard NZ IFRS 16 *leases* removes the distinction between operating and finance leases for lessees. This means that rental payments that were previously captured in operating expenses, are now coded to depreciation and finance interest expense, and excluded from EBITDA.

Removing the adjustments from the implementation of IFRS 16, gives an adjusted EBITDA figure for Q3 of \$16m, which is in line with the forecast for Q3 EBITDA disclosed in the December 2019 quarterly. EBITDA for Q1 and Q2 have also been updated to reflect IFRS 16, so will differ from previous quarterly reports.

### Q3 actual EBITDA versus previous guidance

Achieving forecast EBITDA saw an upside in the export segment, offset by a downside in the NID segment.

NID earnings were negatively impacted by the expected increase in capitalised stripping at Rotowaro not being realised. Mechanical issues and a reduced workforce from the impact of COVID-19 meant resources were diverted to coal winning to ensure sales volumes could be met, which lowered the strip ratio against forecast.

Export EBITDA was favourable for the quarter, this is primarily down to variances in the timing of production, freighted and sales volumes against forecast. Increased stripping volumes and lower coal production also saw an uplift in the amount of operating costs capitalised. The benefit of this is not expected to be retained over the full year as lower overall sales volumes from the impact of COVID-19 are expected. Real savings from lowering fuel prices that impact freight and direct operating costs will be maintained.

Further operational information is provided in the operations review section.

# CONSOLIDATED CASH MOVEMENTS

		Q1	Q2	Q3	YTD
	<b>Opening cash</b>	<b>\$38.5m</b>	<b>\$50.3m</b>	<b>\$33.4m</b>	<b>\$38.5m</b>
<b>Operating</b>	EBITDA	\$24.5m	\$17.4m	\$18.3m	\$60.2m
	Working capital	\$9.4m	(\$5.0m)	(\$10.8m)	(\$6.4m)
	Tax	(\$6.5m)	(\$2.8m)	-	(\$9.3m)
<b>Investing</b>	Deferred consideration	(\$0.3m)	(\$5.0m)	(\$4.1m)	(\$9.4m)
	Feasibility studies	(\$1.7m)	(\$2.8m)	(\$1.6m)	(\$6.1m)
	Dividend	-	(\$5.5m)	-	(\$5.5m)
	Property, plant and equipment	(\$2.5m)	(\$3.1m)	(\$5.3m)	(\$10.9m)
	Mining assets	(\$7.3m)	(\$8.6m)	(\$5.5m)	(\$21.4m)
<b>Financing</b>	Finance leases, debt instruments	(\$3.8m)	(\$1.5m)	(\$0.8m)	(\$6.1m)
	<b>Closing cash</b>	<b>\$50.3m</b>	<b>\$33.4m</b>	<b>\$23.6m</b>	<b>\$23.6m</b>

## Working capital

An increase in inventory from a shipment at Stockton that moved into April has negatively impacted cash levels.

## One-off item

Crown Mountain feasibility studies investment \$1.6m.

## Mining assets

Capitalised stripping has decreased from a lower strip ratio at Rotowaro.

## Property, plant and equipment

An uplift in spend versus prior quarters from five excavator purchases at Stockton.

## Financing

Primarily finance lease repayments net of finance lease drawdowns, and interest on corporate BRL debt instruments. Finance lease cash repayments include cash outflows on leases that would have previously been coded through operating costs/EBITDA pre-adoption of NZ IFRS 16.

# OPERATIONS REVIEW

## Export (Stockton) (65%)

There were five shipments during the quarter, with sales volumes 82kt behind plan as one ship moved into April, and the cancellation of a business development ship due to COVID-19. Average price per tonne received was NZD 160 which was lower than forecast as the impact of the COVID-19 pandemic affect the global coal market.

Overburden moved was higher than planned due to good mining performance and taking the opportunity to gain access to coal ahead of schedule. Production volumes were impacted by some pit production inefficiencies and the suspension of operations from COVID-19.

To reduce the export sale price exposure, BT Mining continues to contract forward sales with 157kt of hedging in place at 31 March at an effective average price of NZD 238 per tonne. Fuel hedging covering 50 percent of volumes over the next nine months is also in place.

## NID (65%)

### Rotowaro

Equipment problems during the quarter meant the expected recovery of the overburden deficit from the first half of the year did not eventuate. Equipment downtime and the cumulative effect of the stripping deficit have caused the mine sequencing to be out of sync against forecast, which materially affected the strip ratio. Costs also increased from higher repairs and maintenance, equipment hire fees, and contractors bought in to help with overburden volumes.

Significant work happening currently on the mobile plant will

reduce these issues and increase machinery availability.

### Maramarua

Stripping exceeded forecast as the mine took advantage of favourable mining conditions including good weather, and no operational issues of note. Production was down slightly in line with a marginal decrease in sales from the effects of COVID-19.

## SID (100%)

### Takitimu

Production levels were impacted slightly by deeper coal than modelled and a minor spontaneous combustion in February in a historic drive which has been extinguished, however sales demands were met which has continued throughout the COVID-19 lockdown.

### Canterbury

Q3 was a strong financial quarter for Canterbury, seeing higher calorific coal values which increased the sales price (expected to continue), and a reduction in operating costs as fuel prices drop and benefits of recruitment of permanent staff over contractors are being realised.

## Exploration

\$443k consolidated spend across projects for Q3.

### Buller Project

A stakeholder engagement plan is being compiled, as environmental baseline reports progress on schedule and the completion of a broad brush risk assessment identified key action points for the project. Alternative low environmental impact Sullivan drill holes have been identified and are available for drilling on effect of COVID-19 Alert Level 3.

The concept Upper Waimangaroa haul road designs and a high-level costing exercise were completed. A revised project schedule places further design work to proceed in Q1 of FY21.

## Domestic

The pre-feasibility study progresses on the Waipuna West (Rotowaro) extension project, with the project description and development plan ready for sign-off, and the mine planning and design ready for review in Q4.

## Development

\$5.1m consolidated spend across all projects for Q3.

Included in development costs noted above is capitalised stripping from operating mine pits during the quarter. In addition, the excavation of a sump at Stockton, resource development drilling at Maramarua, Stockton, Takitimu, and consenting costs at Canterbury reflect other key spend.

## Crown Mountain (earn in up to 50%)

Work continued on the bankable feasibility study ("BFS") which saw the completion of the coal handling and processing portion of the BFS. There has been a delay to expected BFS completion from the impact of COVID-19 isolation rules, as well as confirmation of alternatives for an optimal mine layout design. Finalisation is now expected in Q3 of calendar year ("CY") 2020.

As the BFS provides critical inputs for the Environmental Assessment Certificate, this is now expected 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.

# CORPORATE

## Litigation

The Court of Appeal on 24 April 2020 announced it had upheld the claim made against Bathurst (and Buller Coal Ltd) by L&M Coal Holdings Ltd. Bathurst is reviewing its legal position following the decision. For further information on this case, refer to the ASX release on Bathurst's website dated 20 August 2018 ("Bathurst Resources Limited: (ASX:BRL) – High Court") or on the ASX website under ASX code BRL. Management are working through the Court of Appeal's judgment and expect to provide clarification on next steps to shareholders in the near future.

## Extension to USD bond term

Bond holders of the USD subordinated bonds which were issued in 2017 as a component of funding required to invest in BT Mining, agreed to extend the term for one year. The bonds now mature on 1 February 2021, with all other terms of the bonds unchanged.

This document was authorised for release on behalf of the Board of Directors on 30 April 2020.

Richard Tacon, CEO



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At 31 March:

Share price: AU 5.4 cents

Issued Capital: 1,707m ordinary shares

Market capitalisation: AUD \$92.2m

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Richard Tacon – Executive director

Peter Westerhuis – Non-executive director

Russell Middleton – Executive director

**ASX Code: BRL**

**Website and email**

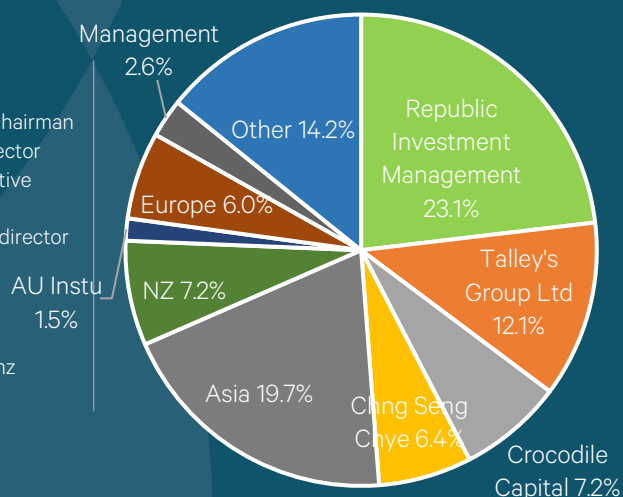
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RESOURCES LIMITED

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