BATHURST
RESOURCES LIMITED

Quarterly Report

December 2019

Highlights

- Consolidated[1] EBITDA[2] at 31 December $37m (unaudited).
- Zero lost time injuries during the quarter.
- Total recordable injury frequency rate 6.5.
- Dividend received from BT Mining $13m.
- Tranche two option advance of C$1.7m in the Crown Mountain project (Bathurst's Canadian coking coal joint venture) approved.
- Consolidated cash at 31 December $33.4m.

Health, safety and environment

- An occupational hazard review and gap analysis was completed by a third-party occupational hygienist across all sites during the quarter. The review included interviewing staff to gain an understanding of their assessment of workplace hazards and risk controls, and how to mitigate these. Recommendations for improvements are being actioned.
- A new tyre and rim management standard has been developed over the past 12 months. It was developed through extensive internal and external consultation with maintenance teams and tyre contractors concluding with a quality document of good safe work practices. Implementation will commence from January 2020.

Executive summary

Whilst operations are largely performing as expected, as a result of a half year re-forecasting process the consolidated FY20 EBITDA guidance has been reduced, from the previously reported $78m down to $70m. H1 EBITDA (unaudited) is reported at $37m, versus the $38m disclosed in the previous quarterly release.

The reduction in both the FY20 EBITDA guidance and H1 actual is from the export segment of the business. Export revenue decreased in H1 from a drop in Q2 realised export prices versus forecast, and is projected to reduce from previous estimates in H2 from a lowering of the estimated Q3/Q4 USD coking coal benchmark pricing. The Q2 result was also lower due to a shift in product sales mix, with a hard coking coal shipment delayed to Q3, and replaced with a thermal shipment. This delay has a nil impact over the full year, however total FY20 volumes are now forecast to see a net decrease due to a delay in the timing of a shipment, which has slipped into the next financial year.

The export re-forecast also accounts for increased costs related to de-risking a key coal pit at the Stockton mine. These costs were incurred in Q2 and impact the full year results.

The domestic business has seen a net uplift in FY20 and H1 EBITDA, due to an increase in capitalised stripping for the North Island segment as a result of the re-evaluation of life of mine strip ratios and operational changes. More information on the change in domestic and export EBITDA guidance is provided on page 3.

[1] Consolidated in this document means 100% Bathurst and 65% equity share of BT Mining (export and North Island domestic segments).
[2] Earnings before net finance costs (including interest), tax, depreciation, amortisation, impairment, non-cash fair value movements on deferred consideration and rehabilitation provisions.

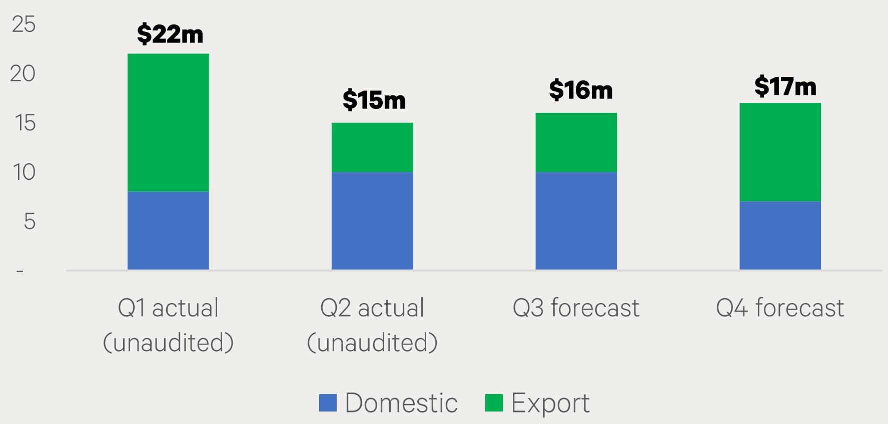
Performance metrics

December quarter	Export 100%	NID* 100%	SID* 100%	BRL equity share	Pcp** equity share
Production (kt)	222	220	106	**393**	**441**
Sales (kt)	310	209	111	**448**	**482**
Overburden (Bcm '000)	1,127	3,613	854	**3,935**	**3,773**
Coal sales revenue (NZD '000)	$44,169	$25,460	$15,048	**$60,307**	**$73,241**

December YTD					
Production (kt)	515	396	158	**749**	**854**
Sales (kt)	637	398	183	**856**	**910**
Overburden (Bcm '000)	2,105	5,383	1,722	**6,589**	**7,533**
Coal sales revenue (NZD '000)	$105,641	$48,824	$25,203	**$125,605**	**$144,222**

** North Island domestic and South Island domestic. NID EBITDA includes BT Mining's Corporate business unit, SID includes BRL's Corporate business unit and operating costs from mines on care and maintenance.*
*** Prior comparative period*

Quarterly consolidated EBITDA



FY20 guidance – updated based on re-forecast

	Metric	Export	NID	SID	BRL equity share
Sales	kt	1,260	799	339	1,677
EBITDA	NZD $m	$53.4m	$46.2m	$5.4m	$70.1m

Export

Revenue: down $10.6m (100% basis)

Revenue has been impacted by three main factors:

- Decrease in sales volumes as a shipment planned for June 2020 has moved to early July 2020.
- A further drop in forecast export pricing.
- A shift in sales mix, with a decrease in semi-hard volumes, partially offset by an increase in semi-soft/thermal coal.

The hard coking coal index decreased again in Q2, settling in the early USD $140s. A slowdown in the Indian auto industry market impacted demand in India, with local steel mills feeling financial pressure including major players such as Tata Steel. Steel production in Japan also reduced from a year ago, with a general slowdown in construction demand. And no clear guidance on imports controls in China continues to create uncertainty in the Chinese domestic/seaborn market.

Forecast export sales pricing is indicatively based on 80% of an average HCC benchmark of USD $150.00 for Q3 and $160.00 for Q4 at $0.65 NZ: USD across all sales types including thermal coal sales. This is consistent with the market expectation that pricing will soon return to USD $160s. It is expected that demand in India will pick up due to some recovery signs beginning to show in late 2019. Chinese customs have also eased their restrictions at ports which has helped increase demand for seaborne cargos in recent weeks.

Costs: an increase of $5.9m (100% basis)

Expenses in large part are being driven up by the Cypress pit which is costing more than anticipated due to:

- an increase in high-wall stability costs as the ground material is not as strong as anticipated, meaning the wall is being laid down at a less steep angle;
- the opening up of additional coal face areas, to reduce the risk of the high wall collapsing and the resultant loss of ability to mine the pit; and
- the use of articulated dump trucks versus rigid trucks due to wet weather; costs of transportation have increased as the articulated trucks are smaller and more costly to run.

NID/SID

The beneficial movement in EBITDA for NID reflects an increase in capitalised stripping costs. This comes from:

- a re-evaluation of two pits after initial pre-production stripping was removed and capitalized;
- a higher actual strip ratio from the catch up of overburden removal at Maramarua;
- increased capitalisation for the Waipuna West pit: the way the coal has presented at Rotowaro has meant coal expected to be mined at this pit was not needed as coal was sourced from other pits that have the coal exposed.

SID has seen an increase in revenue, however this is forecast to be offset by a reduction in capitalised stripping costs due to a lower strip ratio at Takitimu than budgeted, and increased coal purchases to ensure coal specifications meet contract requirements.

Consolidated cash movements

		Q1	Q2	YTD
	Opening cash	**$38.5m**	**$50.3m**	**$38.5m**
Operating	EBITDA	$21.7m	$15.2m	$36.9m
	Working capital	$10.3m	($4.4m)	$5.9m
	Tax	($6.5m)	($2.8m)	($9.3m)
Investing	Deferred consideration	-	($5.0m)	($5.0m)
	Crown Mountain	($1.7m)	($2.8m)	($4.5m)
	Dividend	-	($5.5m)	($5.5m)
	PPE	($2.5m)	($3.1m)	($5.6m)
	Mining assets[1]	($7.3m)	($8.6m)	($15.9m)
Financing	Finance leases, debt instruments	($2.2m)	$0.1m	($2.1m)
	Closing cash	**$50.3m**	**$33.4m**	**$33.4m**

EBITDA:

- Q2 was significantly lower than Q1 off the back of lower USD coal spot prices which impacted the export segment. The average price received ("APR") in Q1 was NZD 187 compared with an APR of NZD 144 in Q2, equaling a YTD average of NZD 166 per tonne. The lower benchmark pricing and unfavourable coal product value mix (due to a shipment change from hard coking coal to thermal coal) reduced revenue by almost $7m.
- Also affecting EBITDA was an increase in costs at the Stockton mine relating to the Cypress pit.
- These reductions in EBITDA were partially offset by the change to the capitalised stripping in the NID segment.

One-off items: BRL maiden dividend $5.5m & Crown Mountain investments $4.5m.

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

Financing: Finance lease repayments and interest on corporate BRL debt instruments.

[1] Including capitalised stripping

Operations review

Export (Stockton) (65%)

There were six shipments in the December quarter with sales volumes of 310kT, nominally ahead of budget. This included a shipment of Stockton Thermal coal. Average price per tonne for the quarter was NZD 144, NZD 32 lower than budget and NZD 43 lower than the previous quarter. Major impacts came from the lower benchmark price and product mix.

Overburden moved was in line with budgeted expectations, however contractors supplemented additional pre-stripping in the Cypress pit in order to meet the full year coal production forecast.

FOB costs per tonne were higher than budget due to the commitment to remove an additional 960k bcm over a planned 18-month period between FY20 – FY21.

To reduce the export sale price exposure, BT Mining continues to contract forward sales with 105kt of hedging in place at 31 Dec at an effective average price of NZD251 per tonne.

NID (65%)

Rotowaro

The operations were significantly impacted by continuation of wet weather at the beginning of the quarter. The shortfall of overburden removal from Q1 was partly caught up in Q2 and expected to be resolved in Q3. A shift of sales from the Rotowaro to Maramarua mine meant sales and production levels were slightly behind plan, which is reflected in an increase in Maramarua sales.

Maramarua

As noted previously, a shift in sales from the Rotowaro to Maramarua mine meant sales and production levels were higher than planned for the first six months.

The overburden deficit from FY19 was recovered in Q2, with contractors leaving site in November.

SID (100%)

Takitimu

Coal production was up 20 percent from budget for the quarter as the production shortfalls from Q1 were recouped. Overburden removal was lower as the strip ratio was lower than predicted, leading to a less favourable EBITDA outcome due to a decrease in capitalised stripping costs. Third party coal purchases have increased to supplement coal production in order to meet customer contract specifications.

Canterbury

Coal production, overburden and sales were all a positive variance to budget for the quarter, with a higher average sales price achieved due to higher calorific value results. C1 costs were higher than budget as vacant maintenance positions were filled with contract labour in the short term.

Exploration and development

Buller Project

The first of five exploration holes were completed in the Sullivan coal mining licence area in December 2019, with a wildlife permit application submitted for the remaining holes to be drilled.

The concept Upper Waimangaroa haul road designs are progressing after successful contract negotiations with Geotech Civil Engineer.

Environmental baseline studies are progressing to plan.

Domestic

The Rotowaro North project is on hold pending negotiations with key external stakeholders.

Progress on the Waipuna West (Rotowaro) extension project is advancing well, with the project description and development plan completed for internal review and approval.

Crown Mountain (earn in up to 50%)

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 21.5 percent of the project including the 1.5 percent 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.

Corporate

Dividend

BRL's maiden dividend was paid on the 23 October 2019 at AU 0.3 cents per share, at a total cost of NZD $5.5m. BRL also received a $13m dividend from its joint venture BT Mining in December 2019.

New accounting standard

NZ IFRS 16 *Leases* is effective for BRL and BT Mining for the interim period ended 31 December 2019. EBITDA is expected to increase, and profit is expected to decrease. The financial impact of the standard is currently being audited and is not reflected in the EBITDA result disclosed in this release. The impact to profit is not expected to be material.

Litigation

Corporate

Bathurst (and Buller Coal Ltd) lodged an appeal to the Court of Appeal against the unfavourable judgment issued by the High Court in respect of the claim made against Bathurst (and Buller Coal Ltd) by L&M Coal Holdings Ltd. The hearing in the Court of Appeal ran from 21 – 23 August 2019. Judgment is expected in February 2020.

Environmental

Bathurst Coal Ltd pleaded guilty and was convicted and fined $18k on 27 Nov 2019 in the District Court in respect of an unauthorised discharge of stormwater onto land, in circumstances where the water entered into an adjacent stream at the Canterbury coal mine.

Investor relations

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Media relations

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At 31 December:

Share price: AU 11.0 cents
Issued Capital: 1,707m ordinary shares
Market capitalisation: AUD $188m

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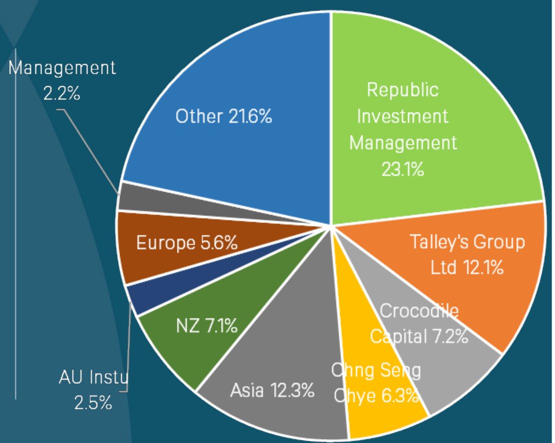

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Unless otherwise noted, all dollar amounts referred to in this report are in New Zealand dollars