BATHURST RESOURCES LIMITED

Quarterly Report

March 2022 quarter

Key highlights

- YTD consolidated EBITDA[1] result $52.5m, up $5.0m (11%) from the prior comparative period ("PCP").
- Export segment YTD consolidated EBITDA at $30.7m, up 90% from PCP ($16.1m).
- EBITDA guidance maintained at $103.5m - $110.1m.
- Consolidated cash including restricted short-term deposits $39m at 31 March, $56m at date of this release.

CEO'S COMMENTS

The export market has continued its high pricing during Q3, with pricing levels reaching record highs in mid-March in response to the invasion of Ukraine by Russia, as well as other macro supply and demand market factors.

Whilst the March YTD EBITDA results were negatively impacted by a high value export vessel slipping from end of March to early April, we are on track to achieving our full year domestic and export sales tonnes. Next quarter will be a significant quarter for our export mine, with scheduled shipments of 320kt tonnes. Higher prices will be partially offset by 57kt of forward sales hedged to settle at USD 200/t in the April to June period. This combined with increases to input costs particularly in fuel, freight and parts, will slightly dampen the high pricing outlook. We continue to maintain our full year guidance.

Operationally, this last quarter has brought its challenges. Firstly, there was a second significant flooding event in the region of the Stockton (export) mine, which washed out parts of the rail line causing two weeks rail outage. The mine resumed normal operations quickly after the heavy rain fall, and our rail provider has committed to increased trains to ensure that we are able to meet forecast shipments.

In addition, our workforce across all sites has been impacted by absences due to COVID isolation requirements, which has reduced the overall efficiency of production. Thankfully, those of our people who have contracted COVID are recovering well, with the number of infections on the decline. We have also not seen any evidence to suggest transmission is occurring at the mine sites themselves, which means our safety protocols are working.

We are pleased to confirm that all AUD convertible bond holders have opted to convert their holdings into shares, in response to an early redemption notice. We will be issuing an additional 20.4m shares from the bond conversion on 11 May, with all corporate debt now extinguished.

[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 was one lost time injury at Stockton mine during the quarter. A contractor sprained their ankle while planting trees within a rehabilitation area.

After an extensive revision of our occupational hygiene programme in 2021, a second year of monitoring was completed this quarter, providing us with important information on our effectiveness of managing worker health hazards over time. All operating sites participated, with individual investigations completed for any result 50 percent below any workplace exposure standard limit. Worker engagement has been key to the programme's success.

Since February New Zealand has been experiencing its first widespread community transmission of COVID. By the end of March approximately eight percent of the workforce had contracted the virus. We are pleased to report that to date, we have not seen any evidence of any transmission occurring within our workplaces. We continue to work under our strict health and safety COVID protocols to minimise effects on absenteeism and productivity.

PERFORMANCE METRICS

March quarter	**Export 100%**	**NID[2] 100%**	**SID[2] 100%**	**BRL equity share**	**PCP equity share**
Production (kt)	191	261	63	**356**	**372**
Sales (kt)	204	168	65	**307**	**408**
Overburden (Bcm '000)	1,370	1,672	410	**2,387**	**4,003**
Coal sales revenue ($'000)	47,979[3]	22,967	10,020	**56,135**	**58,790**
Production costs ($'000)	(37,508)	(11,407)	(9,507)	**(41,301)**	**(42,390)**
March YTD					
Production (kt)	665	620	182	**1,017**	**1,083**
Sales (kt)	767	513	196	**1,027**	**1,140**
Overburden (Bcm '000)	3,334	4,319	1,436	**6,411**	**11,260**
Coal sales revenue ($'000)	161,941[3]	68,840	30,726	**180,734**	**156,579**
Production costs ($'000)	(111,803)	(43,905)	(26,639)	**(127,849)**	**(114,615)**

Production costs are 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 all operating cash and non-cash costs.

[2] North Island domestic and South Island domestic.
[3] Includes realised FX and coal price hedging expense, $74m YTD.

CONSOLIDATED CASH MOVEMENTS

		Q1	Q2	Q3	YTD	YTD PCP
	Opening cash	**20.2m**	**19.9m**	**41.8m**	**20.2m**	**26.0m**
Operating	EBITDA	12.6	22.1	17.8	52.5	47.5
	Working capital	(3.5)	9.6	(11.0)	(4.9)	(10.7)
	Canterbury rehabilitation	(0.9)	(1.0)	(1.3)	(3.2)	-
	Corporation tax paid	-	-	-	-	(9.3)
Investing	Deferred consideration	(0.2)	(1.4)	(0.3)	(1.9)	(4.3)
	Crown Mountain (environmental assessment application)	(0.2)	(0.2)	(0.2)	(0.6)	(0.6)
	Property, plant and equipment net of disposals	(1.7)	(1.9)	(1.9)	(5.5)	(4.7)
	Mine assets including capitalised stripping	(2.6)	(2.1)	(3.0)	(7.7)	(17.2)
Financing	Finance lease repayments	(2.5)	(2.2)	(2.0)	(6.7)	(7.5)
	Interest payment on AUD convertible bonds	(0.5)	-	(0.5)	(1.0)	(2.2)
	Borrowings repayments	(0.7)	(1.0)	(0.1)	(1.8)	(5.2)
	Financing costs	(0.1)	-	-	(0.1)	-
	Closing cash	**19.9m**	**41.8m**	**39.3m**	**39.3m**	**11.8m**

Consolidated EBITDA

Refer to the following page for commentary.

Canterbury rehabilitation

The mine was closed at the end of June 2021, with rehabilitation due to be complete at the end of FY22.

Deferred consideration

Payment in Q3 consisted of royalties on Takitimu mine sales.

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

Spend has decreased from the prior year comparative period due to the Rotowaro mine's strip ratio decreasing as the mine moves into the mature end of its Waipuna West pit.

Borrowing repayments

A partial repayment of funding received in advance from customers for stripping activities for the Waipuna West pit (Rotowaro mine).

Cash figures reported included restricted short-term deposits.

YTD CONSOLIDATED EBITDA V PRIOR YEAR

EXPORT $30.7m Up $14.6m (90%) from PCP ($16.1m).

Revenue has increased due to:

- An increase in pricing. The average benchmark price YTD was USD $323/tonne versus USD $116/tonne PCP. Export sales are a mix of being priced against the spot price or a prior 3-month average (t minus 1).
- The increased pricing has been partially offset by a higher percentage of thermal sales in the current period replacing semi-hard to align with production.
- Sales volumes were also 52kt less than PCP, with a high-quality shipment slipping from the end of March until the beginning of April following the force majeure flood event.

Costs have increased due to:

- Purchased coal which is added to the mine's coal blend to meet contract specifications. It is priced against the USD benchmark so the cost fluctuates in line with revenue.
- Fuel pricing which increased by approximately 68 percent.
- Profit share for employees which is pegged to uplifts in sales revenue.
- Operational inefficiencies from increased rainfall causing more downtime, mine closures in July and February due to local flooding events, and employee absences due to COVID. These factors also lead to increased contractor stripping costs to help ensure production schedules can be met.

NID including BT corporate overheads $21.4m Down -$1.6m (7%) from PCP ($23.0m).

Revenue

- Revenue is consistent year-on-year.
- Total sales volumes have decreased 17kt, with a planned step down in sales to an electricity customer partially offset by increase in sales tonnes for steel making and processing heat.
- An uplift in the average price per tonne has fully offset the reduction in volumes, increasing due to standard annual increases, as well as escalation clauses that allow for producer price index increases.

Costs have increased due to:

- The mines moving closer to the end of their mine life, with costs net of capitalised stripping naturally increasing as there is a certain level of fixed costs incurred, relevant to production and overburden stripping volumes.
- Fuel has increased at similar rates to export.
- Labour costs have increased in line with contractual CPI adjustments, with some being backdated due to prolonged union negotiations.
- Prior year costs also benefited from a wage subsidy from the New Zealand government as part of their COVID response.

SID including BRL corporate overheads $0.4m Down -$8.0m from PCP ($8.4m).

BRL corporate -$2.0m YOY

- Overhead salary costs increased from short term performance incentives paid in the current period, these were not paid in the PCP.
- Legal fees incurred in defending claims bought by L&M are also higher (refer final page of this release).

SID operations -$6.0m YOY

- The Canterbury mine ceased operating at the end of June 2021 which contributed $3m in the PCP.
- Net freight revenue has switched to a net freight expense in the current period, as margins are eroded by the hike in fuel costs and government levies. Discussions with customers to pass on these direct cost increases are nearing completion.

FY22 GUIDANCE REMAINS $103M - $110M

	Metric	Export	NID[1]	SID[1]	BRL equity share
Sales	kt	1,085	701	261	1,422
EBITDA	NZD	$113.5m to $121.5m	$41.8m to $43.2m	$2.5m to $3.0m	$103.5m to $110.1m

Key export guidance assumptions

Forecast export sales pricing is indicatively based on an average of 74% of the Hard Coking Coal Premium Low Vol ("HCC") benchmark of USD $320 for Q4, at $0.68 NZD: USD across all sales types including thermal coal sales.

Export market commentary

Q3

- With the invasion of Ukraine by Russia in late February, sanctions were issued on Russian coal exports causing buyers to seek alternative suppliers. This caused the hard coking coal price to surge to record highs.
- As new supply routes were established and buyers chose to delay purchasing whilst pricing peaked, we saw a sharp price correction, with pricing dropping by close to USD $300/t, bringing pricing levels to fall below $400/t by early April.
- The S&P Global Platts premium low vol daily spot pricing that informs our export sales pricing has recently been sitting between USD $465/t to USD $490/t.

Outlook

The general outlook for coking coal pricing remains one of volatility, with tight supply but some new producers entering the market, political turmoil and various M&A activities at play.

Demand

- Demand from China for seaborne coal may be limited in the next few months as COVID cases surge and major cities are placed in lockdown.
- European buyers will need to substitute their loss of Russian coal with alternative coal markets. However, it is likely India and China will take advantage of the cheaper Russian coal, causing Australian coal to move from India to Europe.
- Indian steel output grew by 16% in 2021-22, indicating India will drive demand, but a trade deal has been signed with Australia removing tariffs on imported coal.

Supply factors

- The end of the wet season in Australia is near which should improve supply over the next few months with the price to ease back over the next two quarters
- Australian producers (notably BHP) are now offering off-spec products into the market with a combination of higher ash and lower CSR, easing the supply issues and putting some downward price pressure on second tier grades.

[1] EBITDA includes corporate overheads for BT Mining in NID, Bathurst in SID.

OPERATIONS REVIEW

Export (Stockton) (65%)

There were four shipments in the quarter, with sales of 204kt which was behind forecast. A hard coking coal shipment moved from the end of March to early April.

Average price per tonne ("/t") excluding hedging was NZD $427/t, NZD $105/t higher than Q2. The average benchmark price has maintained its high levels, moving from USD $371/t in Q2 to USD $395/t in Q3 which will inform some of the Q4 sales pricing.

Overburden removal was in line with forecast for Q3, as the use of contractors helped to ensure continuity despite challenges faced from the flooding event and COVID absences. Production levels were impacted by these operational issues, with increased production now scheduled in Q4 to recoup the shortfall. Cost per tonne continues to be impacted by core price increases on fuel, freight, and coal purchases.

NID (65%)

Rotowaro

Overburden removal continued to be impacted by delays to the stream diversion construction, to avoid double handling of the material (as stripped material is used to fill the stream construction). A planned step down in stripping volumes as the Waipuna West pit moves toward the end of its mine life may be pushed back slightly as result, but there is no risk to meeting upcoming sales volumes.

A push was made in Q3 to recoup the production shortfall from previous quarters, which bought full year planned production in line with forecast. This has restored coal stockpiles to take the mine through the winter months. Sales volumes were slightly behind forecast.

Total cash costs were overall favourable to forecast. Some repairs and maintenance spend scheduled for Q3 occurred in Q2. Contractor drill and blast costs reduced in line with the reduced stripping levels, however this benefit is timing only. These offset underlying fuel price increases, and the Rotowaro mine was not overly impacted by COVID related absences.

Maramarua

Production and overburden volumes were both impacted due to COVID related vacancies, with the priority placed on winning coal. The overburden shortfall will be recovered over the next 12 months, with no risk to meeting the sales plan. Price per tonne received benefited from higher calorific values of the coal sold, which partially offset marginally reduced sales volumes.

Cash costs were favourable to forecast however these savings are temporary as planned repairs and maintenance have again been deferred due to continued delays in receiving parts needed for the repair work.

SID (100%)

Takitimu

Whilst production was marginally behind forecast for the quarter due to staff shortages from COVID absences and unfilled vacancies, sales were also marginally behind. The mine is still well placed to meet Q4 sales.

Due to high stock levels, an operational decision was made to divert overburden stripping resource to focus on rehabilitation of old pits, and a reduction of a historic overheight landform.

Cash costs were favourable to forecast for the quarter, however some of this is timing due to slippage of planned repairs and maintenance.

Canterbury

Rehabilitation is progressing well, with 5 hectares ("ha") of stage 1 (shaping and reprofiling) completed during the quarter, 4 ha of stage 2 (soil placed), and 6 ha of stage 3 (planting/grassing/hydroseeding).

8 ha remain to be soiled out of the original 59 ha footprint, with the workshop planned for decommissioning at the end of May. Seven lined drains required to form the final works required to meet the mine closure plan will be finalised in early FY23.

Exploration

$130k consolidated spend across projects for Q3. Key works consisted of:

- Drilling works and model updates for the New Brighton permit (Takitimu mine) to support resource development.
- Waipuna West extension (Rotowaro mine).

Development

$2.8m consolidated spend across all projects for Q2, with key spend on:

- $2.2m on capitalised stripping from operating mine pits.
- Fines coal storage project at the Stockton mine.
- Stream diversion design and construction at the Rotowaro mine.

Crown Mountain

The environmental application has been prepared and input received from key regulatory bodies and indigenous nations. Submission is expected in May.

Funds issued in this financial year ($0.6m NZD) are a non-callable loan, used for progressing the environmental application.

CORPORATE

Litigation

The legal actions bought against Bathurst by L&M Coal Holdings Ltd continue. A substantive hearing on the Change in Control allegation is still scheduled for mid-July 2022, as is a hearing from 20 to 22 June 2022 on the event of default allegation. For further information on these claims, refer to the previous quarterly here.

Corporate debt

A redemption notice was issued to holders of the AUD convertible bonds. All holders elected to convert their debt into shares. 20.4m shares will be issued on the 11 May.

This document was authorised for release by the Board of Directors on 28 April 2022.

Investor relations

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At 20 April 2022:

Share price: AU $1.18
Issued Capital: 171m ordinary shares
Market capitalisation: AUD $201.7m, AUD $225.8m fully diluted including AUD bond conversion shares.

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Melanie Hart

Shareholdings

Substantial holder/geographical location	Shareholding %
Republic Investment Management (Singapore)	23.0%
Talley's Group Limited (NZ)	12.1%
Crocodile Capital (Europe)	7.5%
Chng Seng Chye (Singapore)	6.5%
Asia	20.2%
Europe	7.3%
New Zealand	5.9%
Management	2.4%
AU Institutional	2.2%
Other	12.8%
Total	100%

BATHURST RESOURCES LIMITED

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