BATHURST RESOURCES LIMITED

Quarterly Report

June 2023 quarter

Key highlights

- Record consolidated full year EBITDA[1] (unaudited) result of $166.3m, up $61.9m (59%) from the prior year.
- Export consolidated FY EBITDA $154.1m, up $70.7m (85%) from FY22.
- Consolidated EBITDA guidance for FY24 announced at $95m - $105m.
- Consolidated cash including restricted short-term deposits $163m at 30 June.

CEO'S COMMENTS

We are very pleased to announce that Bathurst surpassed guidance for FY23 to deliver a record unaudited consolidated EBITDA of $166.3m, representing a 59 percent uplift on FY22. The record result reflects a significant increase in the earnings of our export segment year-on-year, predominantly driven by the export pricing benchmark achieved over the period, as well our success in managing expenses in a general environment of increasing costs.

Alongside the outstanding operational results, and provisioning the company for future growth, the business also delivered a final consolidated cash balance of $163m, an increase of $87m over the 12-month period.

The guidance was achieved despite several unseasonal adverse weather events and cost increases across the board driven by inflationary pressures not seen in over 30 years. Faced with these challenges, Bathurst managed to navigate and ensure that margins made on the favourable pricing were able to be converted into profit.

I am also pleased to advise that this quarter also completes the third year of Bathurst's step change occupational health monitoring program, designed to improve the overall managing of worker health hazards over time, and to promote the introduction of initiatives to minimise exposures.

Operationally, poor weather has been the foremost restraint to our operations during the year, particularly at the North Island mines. High levels of unseasonal rainfall, along with the impacts of Cyclone Gabrielle caused significant flooding events at both mines. The flooding impacted production and also caused delays in the stripping of new pits at both sites. While experiencing the weather enforced delays, we were able to continue to meet contracted sales which is a testament to the effort and operational planning by our teams. FY24 EBITDA guidance of $95m - $105m is a reduction from the record results achieved in FY23. The central factor in the decrease is a forecast reduction of the average pricing benchmark per tonne for export sales. This is expected to decline from an average USD $291 in FY23 to an average of USD $238 over FY24, as prices continue to stabilise from the elevated levels experienced across the previous 18 months. Included in the revenue is 195kt of sales hedged at an average NZD $435 per tonne.

The reduction in guidance also factors in targeted cost savings during a time of substantial cost pressures in operating costs for all operations, as well as standard PPI increases for sales prices in the domestic market.

[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 were two lost time injuries for Q4, with both occurring at Rotowaro mine. A boiler maker experienced pain in the chest after setting up their work area. The second injury involved an operator experiencing back pain whilst operating a haul truck. The lost time injury frequency rate (LTIFR) at the end of the quarter is 5.5.

In the absence of the New Zealand extractives industry having set medical assessment processes, Bathurst completes regular reviews to benchmark our medical processes against international standards. During the quarter, a review of worker health medical assessments and annual health monitoring has been completed in association with an occupational medicine specialist. This process supports Bathurst employees to have every opportunity for maintaining their personal health and fitness for work.

The third year of our step change occupational health monitoring program has been completed in the quarter, providing us with important information on our effectiveness of managing worker health hazards over time. One example of a positive outcome from this year's monitoring has been via significant improvements in minimising exposure to welding fumes (for example, via engineering controls such as additional ventilation and extraction fans).

PERFORMANCE METRICS

June quarter	**Export 100%**	**NID[2] 100%**	**SID[2] 100%**	**BRL equity share**	**PCP equity share**
Production (kt)	248	119	44	**358**	**282**
Sales (kt)	336	162	49	**372**	**332**
Overburden (Bcm '000)	1,043	1,077	238	**1,616**	**1,827**
Coal sales revenue ($'000)	117,723[3]	23,563	8,205	**100,041**	**112,708**

June YTD					
Production (kt)	1,042	568	224	**1,271**	**1,299**
Sales (kt)	1,197	627	251	**1,437**	**1,360**
Overburden (Bcm '000)	4,996	5,136	1,025	**7,611**	**8,238**
Coal sales revenue ($'000)	437,371[3]	92,470	43,748	**388,145**	**293,422**

[2] North Island domestic and South Island domestic.
[3] Includes realised FX and coal price hedging income, $15.5m YTD.

CONSOLIDATED CASH MOVEMENTS

		FY23	FY22
	Opening cash[4]	**76.0m**	**20.2m**
Operating	EBITDA	166.3	104.4
	Working capital	(17.0)	(4.9)
	Canterbury rehabilitation	(1.6)	(3.8)
	Corporation tax paid	(26.3)	(4.5)
Investing	Deferred consideration	(1.2)	(2.3)
	Crown Mountain (environmental assessment application)	(0.7)	(0.8)
	Property, plant and equipment net of disposals	(16.0)	(8.1)
	Mine assets including capitalised stripping	(15.1)	(11.7)
Financing	Finance lease repayments	(4.0)	(8.5)
	Interest and principal payments on BRL corporate debt	-	(1.3)
	Borrowings repayments	(0.1)	(2.6)
	Financing income / (costs)	2.7	(0.1)
	Closing cash	**163.1m**	**76.0m**

Consolidated EBITDA
EBITDA increased from FY22, driven by a higher export coal price on export sales. Refer to the following page for commentary against guidance for the year.

Working capital
The timing of sales, and in particular the number of export shipments for the month of June compared to the prior year has resulted in an increase in trade debtors. Payment of the debtors were received in July and converted into cash.

Corporation tax paid
Increase in corporation tax paid which reflects the tax obligations on increased taxable operating profits and the timing of provisional tax payments. The final FY21 payment was made in July 2022, and similarly the final FY22 payment was made in July 2023.

Deferred consideration
Payments for the year 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 increased from the prior year comparative period due to the increased mine development costs and capitalised stripping in the Waipuna West extension at the Rotowaro mine.

Financing income/(costs)
Increased interest received on cash balances and deposits held.

[4] Cash figures reported included restricted short-term deposits.

FY23 EBITDA $166M V GUIDANCE $140M - $150M

EXPORT equity share $154.1m Up $26.4m (21%) from guidance.

The key driver of favourable export results versus guidance is an increased price received per tonne as well reductions in some operating costs.

Sales price	• Actual average price received per tonne (including realised hedging income) was NZD $365 versus a forecast of NZD $338. • This reflects an average annual benchmark of USD $291 per tonne against forecast of USD $289 per tonne. • The actual USD:NZD FX rate also came in slightly beneficial to forecast.
Sales volumes	• Sales volumes came in slightly behind forecast for the year, as there were some minor adjutments to the shipping plan, however this was offset by increased sale price received.
Costs	• Fuel and freight costs have decreased throughout the second half of the year as fuel prices stabalise from the high pricing levels experienced during the first quarter. • Price escalations have been seen in a number of other areas throughout the year, notably the cost of contractor and labour costs due to increased hours to meet production as well as profit share for employees linked to the sales export price.

NID including BT corporate overheads equity share $10.9m Up $1.4m (15%) than guidance.

The key drivers of the favourable NID result reflect reducded cash costs at both the Rotowaro and Maramarua mines, partially offset by lower sales tonnes.

Sales volumes	• Due to customer operational delays, contracted sales volumes for a key customer were not taken and have been deferred to FY24, resulting in lower revenue.
Costs	• Fuel costs were lower than forecast. This was driven by both volume, due to lower machine hours, and price, which has reduced significantly (30 percent) from high prices experienced during the first half of the year. • Repairs and maintenance were under forecast as spending has been delayed due to plant remaining in good order. • Contractor costs, particulalry related to drilling and blasting were lower than forecast at the Rotowaro mine due to lower stripping volumes.
Operational delays	• Reduction in production volumes due lower srtipping across both sites which were impacted by stream diversion delays at Rotowaro and a slip at Marmarua, as well as unseasonal weather events including Cyclone Gabrielle.

SID including BRL corporate overheads equity share $1.3m Lower -$1.5m than guidance.

BRL corporate

- Legal fees incurred in defending claims bought against BRL by L&M came in higher than forecast.

SID operations

- Both sales volume and sales price were ahead of forecast, which lead to increased revenue. Production was behind forecast, which resulted in drawdown of stock to meet sales requirements.
- Reduced levels of overburden and production resulted in lower fuel volumes than forecast. A reduction in the cost of fuel also contributing to reduction in fuel cost.

FY24 GUIDANCE $95M - $105M

	Metric	Export 100%	NID[5] 100%	SID[5] 100%	BRL equity share
Sales	kt	1,200	563	210	1,436
EBITDA	NZD	$110.5m to $125.5m	$31.9m	$2.5m	$95m to $105m

EXPORT EQUITY SHARE $71.8m ($154.1m FY23)

Earnings are forecast to decrease, key movements being:

- The price path assumption is an annual average benchmark of USD $238/t. The benchmark price is lower than the FY22 average of USD $291/t, as the market continues to stabilise from the record highs experienced over the last 18 months. FY24 is also expected to benefit from 195kt hedged at USD $268/t.
- An assumed NZD/USD foreign exchange rate of 0.66 from Q1 to Q3, then moving to 0.65 in Q4.
- While inflationary pressures not experienced in 30 years remain, direct costs of mining are anticipated to decrease to partially offset the reduction in revenue.
- Fuel prices have stabilised from the spikes experienced FY23 caused by global supply issues.
- Significant reduction in contractor costs as we move away from contracted overburden removal.
- Commissions on the sale of coal also reduce as these are aligned to the lower sale price.
- Salary and wages increase in line with contracted levels and are partially offset by a reduction in the profit share associated with the coal sale price.

NID INCLUDING BT CORPORATE OVERHEADS EQUITY SHARE $20.7m ($10.9m FY23)

Earnings are forecast to increase, key movements being:

- A contracted decrease in sales volumes to food processing customers as they transition to biomass fuel, offset by increases in the average price received and increased sales to a steel producer.
- Underlying input cost escalations, mainly; mobile plant components, contractors and consultants, fuel, and labour costs. Labour and fuel costs are increasing in line with the significant increases in overburden removal associated with the stripping in the Waipuna West extension at the Rotowaro mine and the KCQ and M1 pits at the Maramarua mine.
- Corporate costs remain stable with inflationary uplifts partially offset by targeted cost savings.
- The planned increase of waste stripping due to the commencement of the mine extensions at Rotowaro and Maramarua means given the high proportion of fixed costs, the cost per tonne mined/cubic metre of waste dirt removed reduces net capitalised stripping costs.

SID INCLUDING BRL CORPORATE OVERHEADS EQUITY SHARE $2.5m ($1.3m FY23)

Earnings are forecast to increase, key movements being:

- A reduction in corporate overhead costs. Legal fees regarding claims bought against BRL by L&M are forecast to decrease.
- A reduction in earnings at the Takitimu mine. Sales volumes are forecast to decrease as customers continue to transition to biomass fuel, the reduction in volume is partially offset by annual contracted price adjustments.
- A slight reduction in production costs mainly in fuel and the hire of equipment, these are partially offset by increased repairs and maintenance costs deferred from FY23 as equipment has remained in good operating order.

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

OPERATIONS REVIEW & MARKET OUTLOOK

Export (Stockton) (65%)

There were seven shipments in the quarter, with sales of 336kt which was behind forecast due to changes in the shipping plan and a shipment forecast for April not sailing.

Average price per tonne ("/t") excluding hedging was NZD $331/t, NZD $29/t lower than Q3. The average benchmark price has dropped, moving from USD $315/t in Q3 to USD $283/t in Q4 as prices continue to normalise.

Overburden removal was impacted in Q4 due to staff shortages and was impacted by poor weather. There were 189 hours of stripping lost in Q4 due to the weather. However, production for the quarter was ahead of forecast.

Export market outlook

The HCC price has remained rangebound for the last three months with pricing sitting around US$220 – US$240 as the market finds an equilibrium in recent months with demand still relatively weak but also supply remaining tight.

There has been limited buying interest for seaborne coal from China with steel output currently in excess of steel demand as the economy remains depressed, however pockets of demand remain out of India noting now a small proportion of spot sales into India re having a large impact on index pricing.

Supply out of Australia continues to increase as the weather improves and Queensland rail issues are resolved, however in recent times it appears that even a small shock to supply will see the market and prices swing significantly with little surplus on supply side.

Looking forward it is expected prices should remain at current levels in the short term with some small improvement in pricing as global economies recover from high inflation and central banks ease pressure on further interest rate hikes.

Into the long term, the current under investment in new mines and expansions will ensure that coal supply remains tight especially as there will be an increasing requirement for coking coal in growing countries such as India and South East Asia. Under the assumption Russian semi-soft type materials re-enter the market at some point, it is considered demand for coking coal will outstrip supply by 2030, mainly for prime hard coking coal & likely lower ash material.

NID (65%)

Rotowaro

Production levels were higher than forecast for the quarter with an increased effort to recoup shortfalls caused by Cyclone Gabrielle during the prior quarter. Although overburden has increased during the last months of the quarter, overburden continued to be below forecast due to a focus on coal production and delays in the stream diversion affecting the stripping. Overburden is expected to increase as the stripping in the Waipuna West extension moves forward. Favourable coal winning compared to rates modelled means that sufficient coal has been mined despite overall reduced overburden volumes over the full year.

Maramarua

Production was higher than forecast to cover increased sales to a customer catching up on scheduled sales not taken during the previous quarters. Overburden volumes were impacted by workforce vacancies and behind forecast. Planned catch up from previous overburden targets were not able to be achieved as a result. This is expected to be recovered during the first half of FY24 as stripping in the KCQ & M1 pits increases.

SID (100%)

Takitimu

Overburden removal was impacted by poor weather during the quarter, particularly during May which had increased levels of rainfall. Production however was ahead of forecast to cover sales volumes which were higher than forecast.

Exploration

$359k consolidated spend across projects for Q4. Key work consisted of:

- New Brighton PFS reporting and AEE preparation.
- Deep Creek exploration commencement
- Exploration drilling and baseline studies (Rotowaro Extension)

Development

$2.8m consolidated spend across projects for Q4, with key spend on:

- $1.1m on capitalised stripping from operating mine pits.
- Stream diversion design and construction at the Rotowaro mine.
- Waipuna West extension (Rotowaro mine) and M1/KCQ extension (Maramarua mine)

Crown Mountain

A consent agreement was executed with key indigenous nations in early 2023. The executed agreement includes innovative accelerated reclamation initiatives, best practice environmental design, management and monitoring to ensure protection of the flora, fauna and water quality in the Elk Valley.

The project's environmental assessment application (EA) and environmental impact statement (EIS) are expected to be submitted during the September quarter with the technical review to commence during the December quarter.

The equity share remains at 22.1 percent of the project including 2.6 percent held as preference shares from an advance of Tranche 2 funds.

CORPORATE

Litigation

The legal actions bought against Bathurst by L&M Coal Holdings Ltd continue.

During March, the High Court dismissed the L&M Deed of Guarantee claim, ruling that first performance payment is not due under the terms of the contract. The Court held that L&M should have brought the argument under the guarantee in the first proceeding and that raising it in a subsequent proceeding was an abuse of process. In April, L&M Coal Holdings Limited subsequently lodged a notice of appeal on the High Court's judgement. We continue to believe, based on legal advice, that it is unlikely these claims will be successful.

This document was authorised for release by the Board of Directors on 27 July 2023.

Investor relations

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At 20 July 2023:

Share price: AU $0.99
Issued Capital: 191m ordinary shares
Market capitalisation: AUD $189.4.

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Company Secretary

Larissa Brown

Shareholdings

Substantial holder/geographical location	Shareholding %
Republic Investment Management (Singapore)	20.8%
Talley's Group Limited (NZ)	10.8%
Crocodile Capital (Europe)	7.5%
Chng Seng Chye (Singapore)	6.1%
Asia	24.8%
Europe	9.1%
New Zealand	5.7%
Management	2.1%
AU Institutional	1.8%
Other	11.2%
Total	100%

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

BATHURST RESOURCES LIMITED