BATHURST
RESOURCES LIMITED

Quarterly Report

September 2023 quarter

Key highlights

- First quarter consolidated EBITDA[1] $17.2m.
- EBITDA guidance maintained at $95m to $105m.
- Consolidated cash including restricted deposits at 26 October – $142.5m.
- Acquisition of Tenas coking coal project in British Columbia, Canada.
- Completion of Mangakotukutuku stream diversion project at the Rotowaro mine.

CEO'S COMMENTS

Whilst a material decrease in the pricing of our export product resulted in lower revenue for the quarter when compared to the previous corresponding period, we are maintaining EBITDA guidance at $95m to $105m. As importantly, Q1 2024 was also a critical period for advancing the company's growth plan with the execution of an agreement to purchase the assets of the Tenas coking coal project, a long-life steelmaking coal mine located in British Columbia, Canada.

This potential company-changing strategic acquisition not only provides Bathurst and our shareholders with a near-term metallurgical coal project, but it also represents the company's first project in a tier one jurisdiction outside of our New Zealand market. With close proximity to existing rail and port, first production is planned for FY26, and the Tenas project is expected to produce 750kt of saleable steelmaking coal per annum over a 22-year mine life. (More detail on the acquisition is included on page 2).

The first quarter consolidated EBITDA of $17.2m is a reduction of $24.2m from the first quarter in FY23. The decrease is largely driven by a reduction in the HCC benchmark pricing that our export coal prices are tied to, and a 60kt shipment slipping into the next quarter. We have also seen a reduction in the realised hedging gains, and further inflationary increases in our operating costs. Further information is detailed in the YTD consolidated EBITDA section of the report.

The HCC benchmark has increased considerably since the start of September, reaching a high of USD $376 a tonne in the second week of October. The price increases are driven by tight supply out of Australia as demand increases in India, where steelmakers are requiring urgent shipments following the monsoon season.

The uplift in the benchmark price, along with favourable exchange rates on export sales has meant an increase in our export segment earnings forecast. The export segment increase is largely offset by a reduction in our domestic segment earnings forecast. The forecast reduction in domestic earnings is driven by decreased production at the Rotowaro mine, where poor weather has delayed access and production in the new Waipuna West Extension pit. The revised production has resulted in a change to the Rotowaro sales plan, with some sales being delayed until early FY25. The remaining FY24 sales will be met with the amended production levels and the use of existing coal stocks on hand. We are happy however to be maintaining our full year EBITDA guidance of $95m to $105m.

[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.

On 27 September we celebrated the opening the new Mangakotukutuku stream diversion at the Rotowaro mine with an official opening ceremony. We were honoured to have representatives from our local Iwi in attendance to celebrate the project completion. This has been a major project since 2020, and involved relocating the existing 1,500m stream to enable the completion of the planned mining in the Waipuna West pit and providing access to the new Waipuna West Extension mining area.

It was a challenging quarter from an operational perspective, with overburden targets not being achieved due to a combination of weather conditions, geotechnical issues, and other operational delays. Overburden stripping is expected to increase significantly at the Rotowaro mine in the new Waipuna West Extension pit following the completion of the stream diversion.

Following high levels of rainfall, on 16 October 2023, a slip caused the closure of Tunnel #3 in the Buller Gorge on the rail route from the Stockton mine to Lyttleton port. Kiwirail issued a Force Majeure notice and are assessing the damage and have indicated that the tunnel will be out of action for 3-6 weeks while repairs are made. We are currently engaging with customers and agreeing changes to the shipping plan. We anticipate that all budgeted shipments will still occur during the financial year, however we continue to evaluate as information becomes available.

TENAS COKING COAL PROJECT AQUISITION

On 5 September we executed an agreement to purchase the assets of the Tenas coking coal project in north-west British Columbia, Canada. The acquisition of the project aligns to our strategy of increasing our exposure to steelmaking coal and will mean that we have 2 long life steelmaking coal assets in Canada, the other asset being the Crown Mountain joint venture project located at Elk Valley, British Columbia, Canada.

The Tenas coking coal project is located just outside of the small town of Telkwa. The project is in close proximity to the deep-water port of Ridley Port, which is near Prince Rupert, and will have access to existing road and rail infrastructure already developed by the forestry industry.

The project was purchased for USD 10.3 million, with an upfront payment of USD 2.3 million, and 3 deferred payments. USD 1.0 million 45 days after settlement, USD 4.0 million deferred until all final permits to operate are received, and USD 3.0 million on the first anniversary of the receipt of the final permits to operate.

First production is planned for FY26, and the project is expected to produce 750kt of saleable steelmaking coal per annum over a 22-year mine life. Along with being well located to rail and port, the low stripping ratio of the project means that it will be developed as one of the lowest cost producers of steelmaking coal on the seaborne market.

HEALTH, SAFETY AND ENVIRONMENT

There was one lost time injury for Q1. At the Stockton mine, a contract mechanic had a piece of fine hose wire penetrate skin and lodge in their wrist. The lost time injury frequency rate (LTIFR) at the end of the quarter is 4.6.

We have commenced an internal safety leadership program for our senior operational managers. This program aims to foster our practices around just culture, risk management maturity, and mental health and wellbeing strategies. The program will continue throughout FY24 and will develop revised critical health and safety indicators to help us understand our business.

Environmental management system developments continued in the quarter, as we seek to align core environment management documentation across the company. This work also is targeting a cycle of evaluation and continuous improvement of our environmental performance, using updated site environment broad brush risk assessments as the foundation.

CONSOLIDATED CASH MOVEMENTS

		Q1 FY24	Q1 FY23
	Opening cash	**163.1m**	**76.0m**
Operating	EBITDA	17.2	41.4
	Working capital	(10.1)	(2.9)
	Canterbury rehabilitation	(0.1)	(0.4)
	BT Mining corporation tax paid	(34.5)	(23.2)
Investing	Deferred consideration	(0.2)	(0.2)
	Crown Mountain	(0.3)	(0.2)
	Property, plant and equipment net of disposals	(2.6)	(3.9)
	Mining development including capitalised stripping	(4.5)	(3.4)
Financing	Finance lease repayments	(0.9)	(1.0)
	Borrowings repayments	-	(0.1)
	Finance income	2.2	0.2
	Closing cash	**129.3m**	**82.3m**

Consolidated EBITDA
EBITDA decreased from Q1 FY23, driven by a lower export coal price on export sales and reduced realized hedging gains. Refer to the following page for further commentary.

Working capital
The timing of sales and export shipments for the month compared to the prior year has resulted in an increase in trade debtors. Payment of the debtors were received in October and converted into cash. Along with an increase in trade debtors there are timing differences related to prepaid expenditure and accrual of costs.

Canterbury rehabilitation
Reduction in rehabilitation costs at the Canterbury mine compared to the comparative quarter. Rehabilitation earthworks works were completed in FY23.

Corporation tax paid
Increase in corporation tax paid which reflects the tax obligations on increased FY23 taxable operating profits and the timing of provisional tax payments. The final FY23 provisional 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 as well as development costs completing the stream diversion project.

Financing income
Increased interest received on cash balances and deposits held.

YTD CONSOLIDATED EBITDA v PRIOR YEAR

Export (equity share): $18.3m (Q1 FY23 $44.0m)

Revenue has reduced due to:

- A reduction in the average HCC benchmark for the quarter (USD $240 per tonne versus USD $287 per tonne in the prior comparative period ("PCP")).
- The USD:NZD foreign exchange rate which was an average of $0.61 this quarter versus $0.62 PCP, translating to marginally higher revenue when translated into NZD.
- A reduction in the realised hedging gain of $9m (Q1 FY24 $1m – Q1 FY23 $10m) due to prices increasing over the quarter.
- Reduced sales tonnes of 64kt for the quarter versus PCP as a ship carrying 60kt slipped into October.

Costs have increased slightly because of:

- Increase in repairs and maintenance costs which is linked to an increase in machine hours of 6.5%.
- Higher freight costs due to increased railed volume and increased fuel adjustment factor per tonne compared to FY23.
- The cost of fuel has reduced from FY23, which has partially been offset by an increase of machine hours and fuel volumes.
- Increased business development costs, namely a contribution to a new medical facility as part of the Buller Resilience Trust.
- Employee profit share and sales commission expense has reduced as they are influenced by revenue.
- Higher labour and other material input costs driven by inflationary pressures.
- Contractors and consultant costs have increased, which was driven by increased drill and blast activities and increased contractor overburden removal costs due to longer haul distances.
- Operational efficiencies meant only one shift was lost during the quarter, compared to 5 in the PCP when a state of emergency was declared due to a significant weather event, as well as the Queens memorial holiday.

Domestic (NID & SID) including corporate overheads (equity share): -$1.1m (Q1 FY23 -$2.6m)

- The increase in EBITDA versus PCP is predominately in the NID segment.
- A planned reduction in sales volumes was partially offset by contractual price increases due to PPI price escalations.
- Labour costs have increased due to a combination of contracted increased in labour rates, and additional headcount required for increased stripping in the new pits at both North Island mines.
- Equipment hire costs have increased with additional equipment required to achieve higher stripping volumes in the new pits.
- Stripping has started in new pits at both the Rotowaro and Maramarua mines, with some associated stripping costs being capitalised which has offset the cost increases detailed above.

PERFORMANCE METRICS

September quarter	Export 100%	NID[2] 100%	SID[2] 100%	BRL equity share	Prior period equity share
Production (kt)	270	97	42	**281**	**285**
Sales (kt)	197	133	44	**258**	**319**
Overburden (Bcm '000)	1,227	1,229	177	**1,773**	**1,825**
Coal sales revenue ($'000)	57,226[3]	21,611	7,644	**58,888**	**98,820**

[2] North Island domestic and South Island domestic.
[3] Includes realised FX and coal price hedging income of $1.8m.

FY24 EBITDA GUIDANCE $95M - $105M

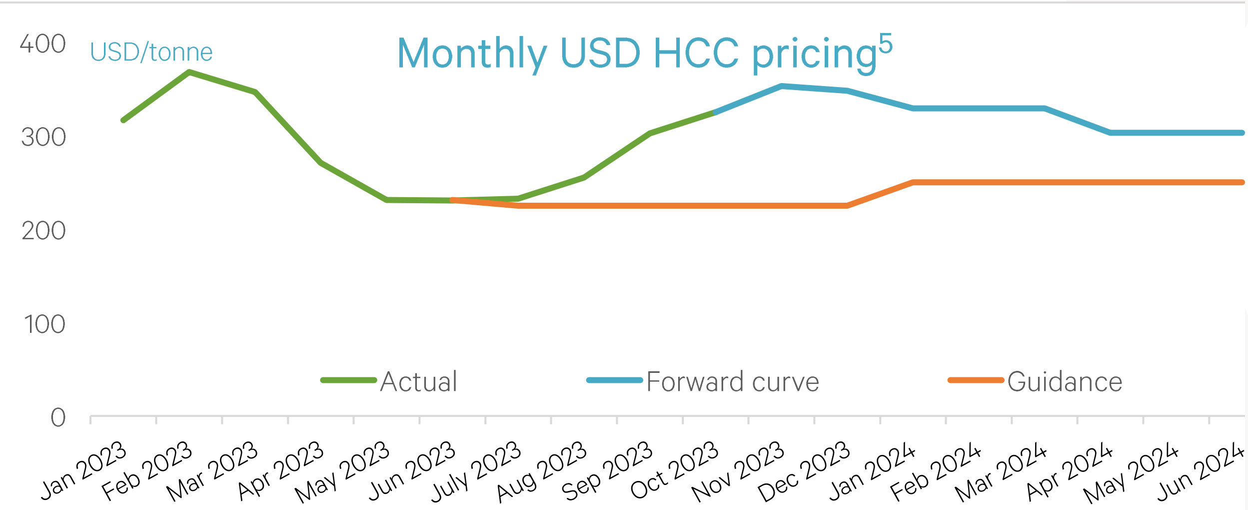
	Metric	Export 100%	NID[4] 100%	SID[4] 100%	BRL equity share
Sales	kt	1,200	541	210	1,342
EBITDA	NZD	$122.5m to $137.5m	$20.0m	$2.5m	$95m to $105m

Key guidance assumptions

FY24 guidance remains at $95m to $105m. A recent increase in the HCC benchmark has increased the export segment guidance, which is largely offset by a reduction in the North Island domestic segment due delayed sales and the use of coal stocks on hand to meet a revised sales plan.

Forecast export sales pricing is indicatively based on an annual average HCC benchmark of USD $238/t at $0.66 NZ:USD across all sales types including thermal coal sales.

Export market update



Current Market

- The HCC price has climbed rapidly since the start of September, increasing USD $100/t to reach a high of USD $376/t on the 11th October as supply out of Australia remained tight and as some Indian users required urgent cargos post monsoon season.
- Generally, market demand has remained weak, notably in China, Europe, and the US. The exception is India which is continuing to grow its steel demand for infrastructure projects.
- Demand for seaborne coal out of China remains limited as economic uncertainty continues with a large price gap opening between Chinese domestic coals and the Australian HCC price.
- Lower grade coals have not increased at the same rate as the HCC price with Russian and Indonesian coal suppliers largely meeting the needs of the market.

Market Outlook

- It is now expected that Australian supply issues will continue this quarter and into the start of 2024 which should see prices held at higher levels for the next quarter.
- The European steel market is expected to continue to slow down with steel mills reducing production or closing which may see additional US coal cargos diverting into the Asian market which will help lift coal supply.
- If the Australian HCC price continues to remain elevated it is expected that most of China's import coal requirements will be satisfied by the cheaper Russian and Mongolian coals.

[4] EBITDA includes corporate overheads for BT Mining in NID, Bathurst in SID.
[5] Actual USD monthly export benchmark pricing based on S&P Global Platts Premium Low Vol benchmark daily spot pricing. Forward curve is based on the 9 October 2023 S&P Global Platts Premium Hard Coking Coal Australia FOB derivative assessment.

OPERATIONS REVIEW

Export (Stockton) (65%)

There were four shipments in the quarter, with sales of 197kt. Sales tonnes for the quarter were behind budget due to a ship carrying 60kt slipping into October.

Average price per tonne ("/t") received excluding hedging was NZD $291/t, which was $52/t higher than budgeted, but lower than the NZD $331/t received in the previous quarter. The HCC benchmark price has increased through September and into October which will help increase revenue in the next quarter.

Production and overburden removal were both behind budget.

Production levels were interrupted due to a maintenance shutdown and Lyttleton port in August, however production losses were partially made up due to production efficiencies at the back end of the quarter.

Overburden removal was heavily impacted by wet and humid weather, which caused thick fog resulting in 153 lost hours. Contractors used for overburden removal also had trucks undergoing maintenance so stripped less than planned.

NID (65%)

Rotowaro

Overburden removal was below budget but is anticipated to increase going forward with the completion of the stream diversion project. This project has been in development since 2020 and was delayed due to earlier poor weather included Cyclone Gabrielle.

Production tonnes were marginally behind budget, but like overburden is expected to increase going forward now the stream diversion is completed.

Stripping volumes in the new Waipuna West Extension pit have been increasing month on month and will continue to do so throughout the next quarter.

Sales volumes were behind budget as a customer delayed some contracted sales volumes.

Maramarua

Production was ahead of plan as geotechnical conditions in the K1 east wall meant that coal was mined earlier than planned.

Overburden volumes were below budget for the quarter as resources were allocated to coal winning mentioned above.

Sales tonnes were ahead of budget as a customer took advanced orders as well as unplanned additional sales from other customers.

SID (100%)

Takitimu

Production and sales volumes were both ahead of budget for the quarter, which was to meet additional sales volumes for food processing customers experiencing higher production levels.

Overburden was significantly behind schedule due to complex geology inhibiting access to the pit.

Exploration

$458k consolidated spend across projects for Q1. Key works consisted of:

- Exploration & mining permit costs at Mt. Fred South
- New Brighton drilling and baseline studies.

Development

$3.8m consolidated spend across all projects for Q1, with key spend on:

- $1.6m on capitalised stripping from operating mine pits.
- Waipuna West Extension drilling at Rotowaro.
- Resource development drilling at the Cypress South pit at Stockton.
- Completion of the stream diversion construction to access coal reserves at the Rotowaro mine.

Crown Mountain Project

A consent agreement was executed with key indigenous nations in early 2023.

The project's environmental assessment application (EA) and environmental impact statement (EIS) are expected to be submitted by the end of October for conformity review, with the for formal 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

As previously reported, 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 subsequently lodged a notice of appeal on the High Court's judgement. The appeal will be heard in May 2024.

We continue to believe, based on legal advice, that it is unlikely these claims will be successful.

Annual general meeting

The AGM has been set for Thursday 30 November 2023, at 11 am NZDT. It will be held in person in Wellington, New Zealand, at the offices of Minter Ellison, 18/125 The Terrace, Wellington.

This document was authorised for release on behalf of the Board of Directors on 31 October 2023.

Investor relations

Email: investor.relations@bathurst.co.nz

Media relations

Email: media.relations@bathurst.co.nz

At 23 October 2023:

Share price: AU $1
Issued Capital: 191.4m ordinary shares
Market capitalisation: AUD $191.4m

Bathurst Resources Limited

Level 12, 1 Willeston Street
Wellington 6011 New Zealand
Tel: +64 4 499 6830
Email: wellington@bathurst.co.nz

Chief Executive Officer
Richard Tacon

Directors
Peter Westerhuis – Non-executive chairman
Richard Tacon – Executive director
Francois Tumahai – Non-executive director
Russell Middleton – Executive director

ASX Code: BRL
Website and email
www.bathurst.co.nz

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	25.1%
Europe	9.6%
New Zealand	5.5%
Management	2.1%
AU Institutional	1.8%
Other	10.7%
Total	100%

BATHURST RESOURCES LIMITED

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