BATHURST RESOURCES LIMITED

Quarterly Report

September 21 quarter

Key highlights

- Export pricing benchmark doubles over the quarter.
- EBITDA[1] guidance increased to $95.3m.
- LTIFR and TRIFR on downwards trend as Field Leadership programme continues to show results.
- Consolidated cash maintained at $19.9m.

CEO'S COMMENTS

A key headline in global resource news has been the significant increase in the price of seaborne traded coking coal. We began to see a recovery in the hard coking coal ("HCC") benchmark that our export coal sales are priced against in June, when pricing reached a daily spot price high of USD $194 per tonne. Since then we have seen this upwards trend continue, with recent spot benchmark pricing sitting at or close to USD $400 per tonne. The higher spot price will ultimately be reflected in the quarterly benchmark price next quarter.

This rise has exceeded market consensus in the short-term, and whilst pricing is expected to lower from current levels, the outlook has significantly improved since we released our EBITDA guidance at the end of July. This led to updated EBITDA guidance being released in September, with EBITDA increasing from $65.2m to $95.3m. These pricing levels have also put renewed emphasis on our organic growth projects in New Zealand.

From a people perspective, we received the results from an engagement survey during the quarter. We are now developing a significant workstream for rollout in the coming months that will address areas of focus highlighted in the survey responses. Part of this will be a programme to embed our recently formed company values – *Be Safe, Be a Team, Be Real, Be Accountable* - within the organisation.

Lastly, our emergency response framework was tested when the town of Westport where most of our Stockton mine employees live experienced a major flooding incident. This led to nearly half of the town's 4,500 residents evacuating their homes. Our people were a significant part of the emergency response, with specific mention made by the New Zealand Fire and Emergency response team that noted their hard work, dedication, professionalism and expertise. We are extremely proud of their efforts and their positive representation of Bathurst in what is a very important community to us.

[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

We are pleased to see our key safety stats across both Bathurst and BT Mining have improved over the quarter, with LTIFR down to 5.7 per million hours worked, and TRIFR down to 9.0. There was one lost time injury at the Rotowaro mine, where a mobile plant operator injured his knee by overextending his knee joint entering a troop carrier.

New Zealand moved to Alert Level 4 in August which is the highest level of COVID related restrictions. All mines remained operational and were prepared to reimplement our Level 4 health and safety protocols in the first shift.

Most of New Zealand returned to Level 2 after three weeks, except for Auckland who stayed in Level 4 where a hard border was implemented. Many of our employees at the Rotowaro and Maramarua mines live in Auckland which has meant travelling between two different Alert Levels for these people. Out of due caution, we have maintained our Level 4 health and safety protocols at both mines to minimise any opportunity for the virus to spread.

Additionally, Auckland based workers have been undergoing weekly COVID surveillance testing. We have not recorded any positive COVID-19 cases across our sites to date.

PERFORMANCE METRICS

September quarter	**Export 100%**	**NID[2] 100%**	**SID[2] 100%**	**BRL equity share**	**Prior period equity share**
Production (kt)	238	152	47	**300**	**329**
Sales (kt)	270	171	50	**337**	**345**
Overburden (Bcm '000)	842	1,234	508	**1,858**	**3,427**
Coal sales revenue ($'000)	48,475[3]	23,421	7,801	**54,534**	**44,832**
Production costs ($'000)	(32,803)	(18,611)	(7,636)	**(41,056)**	**(33,858)**

We have 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 are costs directly attributable to the production of coal and include cash and non-cash costs.

[2] North Island domestic and South Island domestic.
[3] Includes realised FX and coal price hedging expense of $3.6m.

CONSOLIDATED CASH MOVEMENTS

		Q1 FY22/YTD
	Opening cash	**20.2m**
Operating	EBITDA	12.6
	Working capital	(4.4)
Investing	Deferred consideration	(0.2)
	Crown Mountain (environmenal assessment application)	(0.2)
	Property, plant and equipment net of disposals	(1.7)
	Mining development including capitalised stripping	(2.6)
Financing	Finance lease repayments	(2.5)
	Interest payment on AUD convertible bonds	(0.5)
	Borrowings repayments	(0.7)
	Financing costs	(0.1)
	Closing cash	**19.9m**

EBITDA

Export (equity share): $9.6m (Q1 FY21: $3.0m)

The export segment EBITDA of $9.6m for the quarter is a 220% increase from the amount recorded for the prior comparative period. With consistent sales volumes, this reflects the improvement in the HCC benchmark, partially offset by a strengthening of the NZD: USD exchange rate, which was an average 0.70 in Q1 versus 0:66 in Q1 FY21.

We will see the full effect of the recent high pricing which has exceeded USD $400 per tonne come through in Q2, as our export sales are primarily priced against an average of the last 3 months of the HCC benchmark. This combined with a scheduled boat deferred to October means we expect Q2 EBITDA to increase significantly from Q1.

Domestic (NID & SID) including corporate overheads (equity share): $3.0m (Q1 FY21: $7.6m)

- Half of the reduction in domestic earnings is in NID. As indicated in the previous quarterly update, a decrease in EBITDA year-on-year is expected due to a planned step down in sales volumes with a key electricity generation customer.
- The remainder is from SID. A significant amount of legal fees at the Bathurst corporate level has been incurred in preparing the defence for the change in control allegation by L&M (see final page for more information). The closure of the Canterbury mine is also a factor, as well as net freight at the distribution centre which has been impacted by rising fuel costs that have not been able to be passed onto customers.
- Earnings for Q2 are forecast to increase. The first and last quarters in each financial year are cyclically lower earning months for the domestic segment, reflecting the dairy season which ramps up in the warmer months across Q2/Q3.

Deferred consideration

Payments related to final balanced owed for Canterbury sales pre mine closure, and royalties owed on Takitimu mine sales. The final payment due from the BT Mining acquisition will be made in November 2021.

Crown Mountain

Funds paid were on a proportional project equity ownership basis and were used to progress the environmental application.

Borrowing repayments

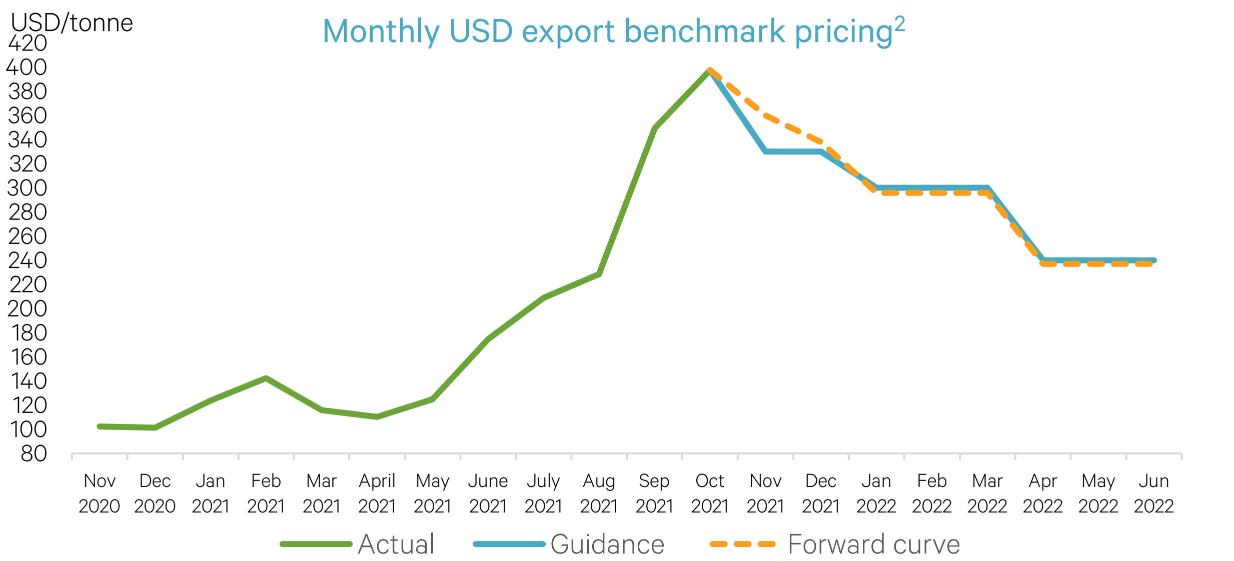
A partial repayment of funding received in advance from customers for stripping activities for the Waipuna West pit (Rotowaro mine).

FY22 EBITDA GUIDANCE

	Metric	Export	NID[1]	SID[1]	BRL equity share
Sales	kt	1,083	678	261	1,406
EBITDA	NZD	$96.5m	$39.7m	$6.8m	$95.3m

Export EBITDA (equity share) $62.7m, up from $34.0m in the July quarterly

Export earnings guidance has increased significantly from that reported in the July quarterly, reflecting a higher than anticipated recovery in the HCC benchmark.



The assumption for the HCC benchmark is now a full year average of USD 268 per tonne (previously USD 180 per tonne). Other key assumptions are a benchmark realisation on sales of 75 percent (excluding any thermal vessels), and an average NZD: USD FX rate of 0.73.

Demand from our customer base continues to remain strong as our product remains a critical component of their coke blend.

Export market fundamentals update

- We attribute the sharp rise in the HCC benchmark largely to ongoing tight supply particularly of premium HCC from major producers and limited spot cargo availability, against an increase in steel demand.
- Demand has been influenced by post COVID infrastructure stimulus packages that require steel, and market recoveries in Europe, India, Japan, and China continue to drive strong demand for coking coal.
- The decreasing iron ore price and reduced coal stockpile levels have also helped increase demand and buyers' ability to pay higher coal prices.
- The S&P Global Platts Premium Hard Coking Coal forward curve sees these elevated prices extending until the end of FY22, after which returning to around USD $180 per tonne.

[1] EBITDA includes corporate overheads for BT Mining in NID, Bathurst in SID.
[2] 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 25 October 2021 S&P Global Platts Premium Hard Coking Coal Australia FOB derivative assessment.

OPERATIONS REVIEW

Export (Stockton) (65%)

There were five shipments in the quarter, with sales of 270kt which is 43kt behind budget. This is due to a semi-hard boat moving into October.

Average price per tonne ("/t") excluding hedging was NZD $200/t, NZD $69/t higher than the previous quarter and NZD $33/t higher than budget. This reflects a sharp increase in the average benchmark price from USD $117/t in Q4 FY21 to USD $203/t this quarter.

Overburden removal was significantly behind in Q1. This is primarily due to the flooding event in July from which 14 shifts were lost, and the COVID related lockdown in August which reduced operational ability due to required enhanced health and safety measures. An operational reforecast is underway which may include revised roster hours so that the shortfall can be addressed. Production levels and costs per tonne were consistent to budget.

To reduce sales price fluctuation exposure, 173kt of sales are hedged at an effective average price of NZD $223 per tonne.

A base level of fixed costs (primarily labour) that were still incurred even when production and overburden removal levels decreased due to the adverse weather, meant that overall cost per tonne increased. The site is also currently out of sequence with the budget plan due to the weather delays which means haul distances are longer and thus the mine is incurring more fuel and oil costs than planned, however this will be reversed next quarter.

NID (65%)

Rotowaro

Overburden removal and production tonnes were both impacted by wet weather downtime and significant pit flooding which occurred in September. Water management issues have been addressed, with additional pumping employed to ensure that coal extraction is available for Q2.

Sales volumes were marginally above budget, and average price per tonne benefited from contracted price increases, primarily driven by a higher fuel price.

Maramarua

Production volumes exceeded budget to increase stockpiles and meet marginally increased sales volumes.

A major geotechnical event in the K1 pit during September trapped some machinery underwater and required the shut-down of the area for a week as recovery plans were implemented. This reduced overburden volumes slightly at the end of the quarter and is likely to result in additional hire equipment requirements in Q2.

Cash costs were favourable to budget, however these savings are temporary as planned repairs and maintenance were deferred to Q2 due to delays in receiving parts needed for the repair work.

SID (100%)

Takitimu

Production volumes were marginally reduced as 6kt of sales were supplied from Canterbury. An increased average price per tonne from good coal quality partially offset the lower sales tonnes.

Overburden removal was hampered by wet weather and maintenance required on several trucks which reduced capacity. This is not expected to hinder ability to meet future coal sales.

Cash costs were favourable for the quarter, however this is due to timing on repairs and maintenance which is expected to come through in Q2/Q3.

Canterbury

The mine is in closure mode, with 1.28 hectares of rehabilitation complete, which is behind plan due to wet weather. Office relocations and sale of equipment are all on track. 6kt of coal sales were made as the push continues to deplete remaining coal stocks.

Exploration

$159k consolidated spend across projects for Q1. Key works consisted of:

- Drilling works and model updates for the New Brighton permit (Takitimu mine) to support resource development.
- Prefeasibility study for the Sullivan permit which continued work on mine planning (Buller project).
- Completion of drilling for the Waipuna West extension (Rotowaro mine).

Development

$2.4m consolidated spend across all projects for Q1, with key spend on:

- $1.4m on capitalised stripping from operating mine pits.
- Construction work on the new water treatment sump at Stockton.
- Fines coal storage project at Stockton.
- Consent applications for the M1 pit at Maramarua.
- Stream diversion design at the Rotowaro mine.

Crown Mountain

Submission of the environmental assessment application is now expected in the December quarter, subject to completion of required ongoing engagement with key First Nations groups. All technical assessments are complete.

The equity share remains at 22.2 percent of the project including 2.2 percent held as preference shares from an advance of Tranche 2 funds. Funds issued in this financial year ($0.2m NZD) are a non-callable loan.

CORPORATE

Litigation

The claim served by L&M Coal Holdings Ltd ("L&M") in May 2020 that alleges Change in Control events have occurred under the Agreement for Sale and Purchase ("SPA") between L&M and Bathurst regarding the purchase of Buller Coal Ltd ("Buller") continues to progress through the arbitration process. Significantly, the positive Supreme Court's ruling regarding the previously contested first performance payment under the SPA has implications in respect of this claim. This is because if it is applicable (and the claim were to be successful) the second performance payment under the SPA could also be deferred for so long as relevant royalties continue to be paid (even if that sum is zero). Notwithstanding this, Bathurst's position remains, based on the legal advice, that the claim is vexatious and has no merit.

The substantive hearing is now scheduled to be held between April and July 2022.

Following on from the Supreme Court's decision in respect of the first performance payment, on 22 September 2021 L&M served Bathurst and its subsidiary, Buller, with further proceedings under the SPA. Despite the Supreme Court's judgment, L&M's new action seeks declarations that would permit it to assert that there has been an event of default under the Deed of Guarantee and Security between the parties. L&M pursues two arguments:

1. Primarily, it asserts that even though the Supreme Court has held that the first Performance Payment is not a debt that is presently due and payable by Bathurst, it may still assert that the same Performance Payment is due and payable by Buller (as guarantor); and
2. As a fallback argument, it also asserts that Buller failed to provide sufficient response to an information request it made of Buller nearly two years ago (on 6 November 2019).

Bathurst and Buller consider this latest legal action by L&M to be completely baseless, without merit and a transparent collateral attack on the Supreme Court's judgment. The Supreme Court is the highest court in New Zealand, and there are no further rights of appeal from its judgment. Bathurst and Buller took immediate legal advice and are pursuing the dismissal of this vexatious and improper legal action by L&M.

Annual general meeting

The AGM has been set for Wednesday 1 December. The meeting will again be held online, and we encourage all our shareholders to attend the meeting. Further details will be sent out in the coming weeks.

This document was authorised for release on behalf of the Board of Directors on 29 October 2021.

Investor relations

Email: investor.relations@bathurst.co.nz

Media relations

Email: media.relations@bathurst.co.nz

At 23 October 2021:

Share price: AU 83 cents
Issued Capital: 171m ordinary shares
Market capitalisation: AUD $141.9m

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
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)	6.6%
Asia	19.9%
Europe	6.7%
New Zealand	6.7%
Management	2.5%
AU Institutional	1.9%
Other	13.1%
Total	100%

BATHURST RESOURCES LIMITED

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