BATHURST RESOURCES LIMITED

Quarterly Report

December 21 quarter

Key highlights

- Unaudited H1 EBITDA[1] result $40.0m, up $13.3m (50%) from H1FY21.
- Export segment continues benefiting from strong pricing levels, with H1 EBITDA up $23.1m (374%) from H1FY21.
- EBITDA guidance increased to a range of $103.5m - $110.1m.
- Consolidated cash increased to $41.8m.

CEO'S COMMENTS

The December quarter has again been boosted by high pricing levels in the hard coking coal ("HCC") benchmark that our export coal sales are priced against, with an uplift in the pricing outlook informing our forecast for H2. However, like the rest of the world we are seeing a gradual rise in inflation from COVID related supply chain disruptions. This coupled with sharp increases in fuel prices as global demand outstrips supply, as well as operational challenges at the Stockton mine from a severe flooding event in July, means the increase in profit margin is being squeezed, which is reflected in our updated EBITDA guidance. Further information is provided on page 5 and 6 of this release.

We have continued to progress action points from the engagement survey. A new people development and performance framework is being rolled out across salaried staff in February. Our values and example behaviours are taking shape, with the design suite of educational material for our people close to being finalised.

Community transmission of COVID has been largely avoided in New Zealand up to this point, however with the recent emergence of the Omicron variant in the country, community transmission is inevitable. The impact of this on the availability and wellbeing of our workforce is an obvious risk to being able to achieve our guidance. A key focus of our management team has been assessing how we can balance the pursuit of business continuity as well as keeping our workforce safe, recognising that most of our operational staff are not able to work from home.

All sites have completed risk assessments identifying their critical staff. A company-wide reporting tool has been developed to enable real-time access to data on employees impacted by COVID. We are also working through what additional support we can provide our staff if they are impacted by COVID, in addition to government provided support.

[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 no lost time injuries during Q2. An alternative duties injury that occurred in June of the previous financial year has been reviewed due to additional medical treatment being required (knee surgery) and is now reclassified as a lost time injury.

Full reviews were completed of COVID management risk assessments at each site. These reviews were triggered by the introduction of the New Zealand COVID Protection Framework (the 'traffic light' framework). Sites have also completed an additional skills assessment of critical statutory and production roles to minimise business interruption during a large COVID outbreak and any associated absenteeism.

A workforce education programme on the benefits of COVID vaccines was provided to complement the New Zealand vaccine roll out. As part of providing support to our local communities, company personnel have been volunteering at community COVID vaccine clinics.

PERFORMANCE METRICS

December quarter	Export 100%	NID[2] 100%	SID[2] 100%	BRL equity share	Prior period equity share
Production (kt)	237	207	72	**360**	**382**
Sales (kt)	293	174	81	**384**	**388**
Overburden (Bcm '000)	1,122	1,414	518	**2,166**	**3,831**
Coal sales revenue ($'000)	73,576[3]	23,446	12,905	**75,969**	**52,957**
Production costs ($'000)	(41,492)	(13,887)	(9,496)	**(45,492)**	**(38,368)**
December YTD					
Production (kt)	475	358	119	**661**	**711**
Sales (kt)	563	345	131	**721**	**733**
Overburden (Bcm '000)	1,964	2,648	1,027	**4,024**	**7,257**
Coal sales revenue ($'000)	112,051[3]	45,873	20,706	**129,857**	**97,788**
Production costs ($'000)	(74,296)	(32,498)	(17,132)	**(86,548)**	**(72,226)**

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. $26.3m YTD.

CONSOLIDATED CASH MOVEMENTS

		Q1	Q2	H1FY22	H1FY21
	Opening cash	**20.2m**	**19.9m**	**20.2m**	**26.0m**
Operating	EBITDA	12.6	27.4	40.0	26.7
	Working capital	(3.5)	4.3	0.8	1.7
	Canterbury rehabilitation	(0.9)	(1.2)	(2.1)	-
	Corporation tax paid	-	-	-	(6.5)
Investing	Deferred consideration	(0.2)	(1.4)	(1.6)	(2.9)
	Crown Mountain (environmental assessment application)	(0.2)	(0.2)	(0.4)	(0.4)
	Property, plant and equipment net of disposals	(1.7)	(1.9)	(3.6)	(2.5)
	Mining development including capitalised stripping	(2.6)	(2.1)	(4.7)	(10.7)
Financing	Finance lease repayments	(2.5)	(2.0)	(4.5)	(5.3)
	Interest payment on AUD convertible bonds	(0.5)	-	(0.5)	(0.3)
	Borrowings repayments	(0.7)	(1.0)	(1.7)	(4.1)
	Financing costs	(0.1)	-	(0.1)	-
	Closing cash	**19.9m**	**41.8m**	**41.8m**	**21.7m**

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.

Corporation tax paid
For cash management purposes, tax payments have been deferred to March/April 2022.

Deferred consideration
Key payments consist of royalties owed on Takitimu mine sales, and the final payment relating to the BT Mining acquisition which was paid in Q2.

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).

H1 CONSOLIDATED EBITDA V PRIOR YEAR

EXPORT $29.3m

Up $23.1m from H1FY21 ($6.2m).

Revenue has benefited from:

- The average benchmark price was USD $287/tonne H1FY22 versus USD $113/tonne H1FY21. Export sales are a mix of being priced against the spot price or a prior 3 month average (t minus 1).
- FX had a negative impact on the conversion of sales from USD to NZD year-on-year ("YOY"), as did the sales mix, with a higher percentage of thermal sales replacing semi-hard to align with production.
- Sales volumes increased 33kt, taking advantage of the improved pricing environment.

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 moved from an average $0.69/litre to $1.11/litre.
- Profit share for employees which is pegged to uplifts in sales revenue.
- Operational inefficiencies from increased rainfall causing more downtime, and the mine closure in July due to a local flooding event.

NID including BT corporate overheads $11.5m

Down -$3.2m from H1FY21 ($14.7m).

Revenue has benefited from:

- Increased sales volumes to a steel producing customer.
- The average price per tonne also rose 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 moved from an average cost of $0.65/litre to $1.05/litre.
- Labour costs have increased in line with contractual CPI adjustments, with some being backdated due to prolonged union negotiations.
- Repairs and maintenance costs at Rotowaro have stayed relatively consistent notwithstanding reduced production and overburden stripping levels. This is partly a function of deferred work from FY21 moving into FY22, and partly where the machines are at in their life cycle.
- 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 -$0.7m

Down -$6.6m from H1FY21 ($5.9m).

BRL corporate -$2.4m YOY

- Overhead salary costs increased from short term performance incentives paid in H1FY22. These were not paid in the prior financial year.
- Legal fees incurred in defending BRL against claims bought by L&M are also higher (refer final page of this release).

SID operations -$3.9m YOY

- The Canterbury mine ceased operating at the end of June 2021.
- Net freight revenue has decreased as margins have been eroded by the hike in fuel costs and government levies. Discussions are underway to pass these direct cost increases onto customers.

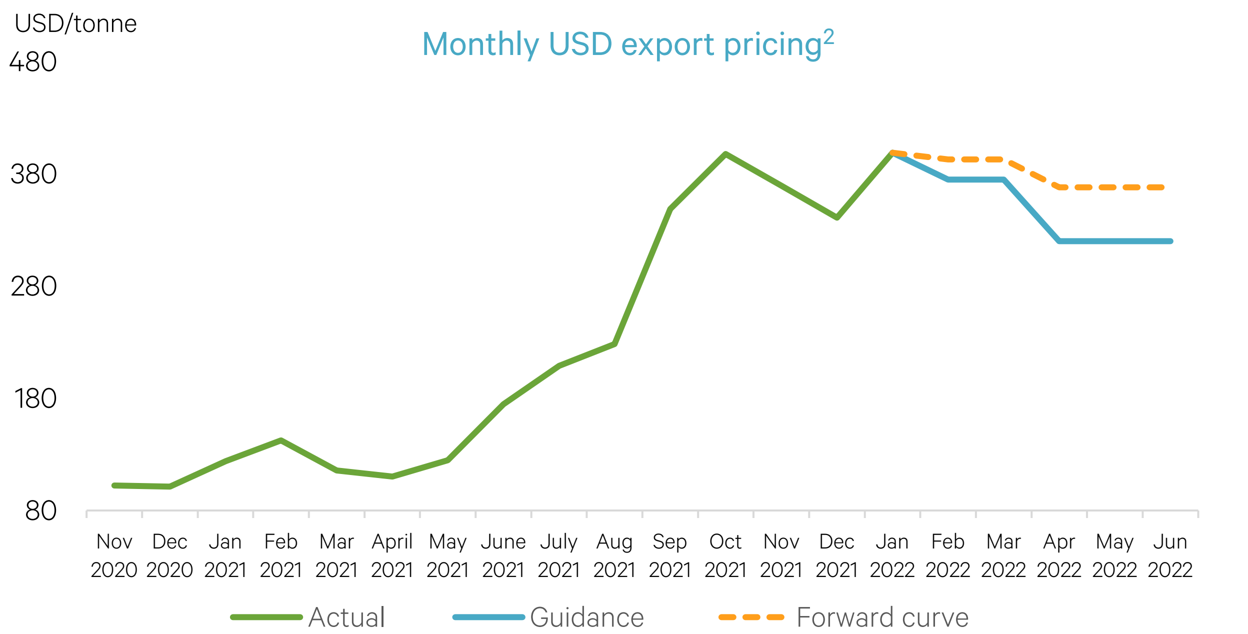
FY22 GUIDANCE INCREASED TO $103M - $110M

	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 for the low end of the range is indicatively based on an average of 74% of the Hard Coking Coal Premium Low Vol ("HCC") benchmark of USD $375 (Q3) and USD $320 (Q4), at $0.68 NZD:USD across all sales types including thermal coal sales.

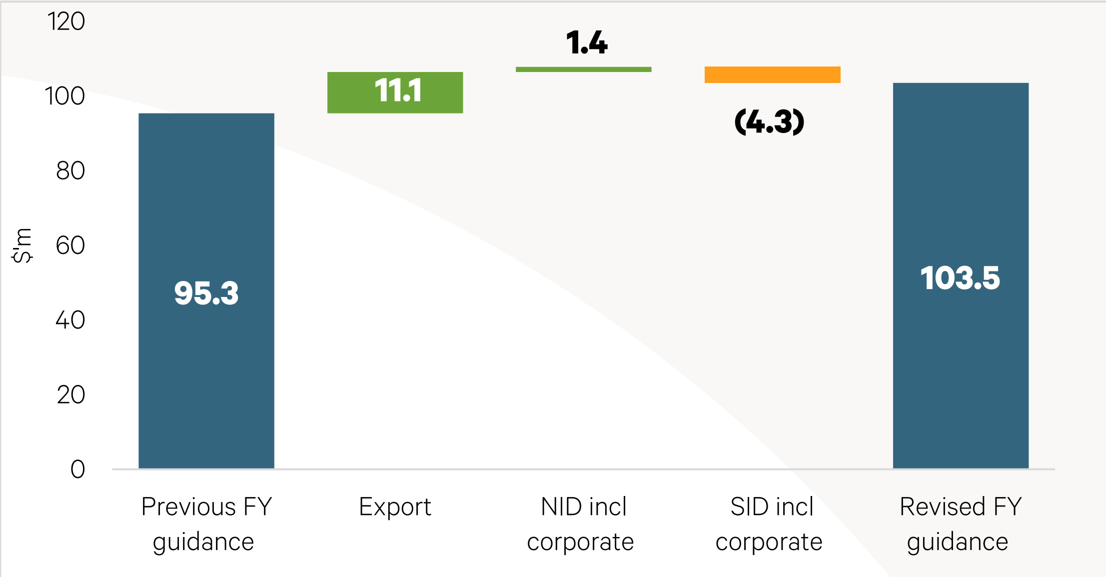
Export market commentary



- After reaching record highs through late September to early November with the HCC spot price exceeding US$400/t, the price fell over US$80/t late November on global market uncertainties and falling demand from China as the Chinese government increased production limits at steel mills.
- Ongoing coal supply issues in Australia due to heavy rainfall and worker availability impacted by COVID have resulted in the price climbing again through late December and into January. Previous records set late last year have been exceeded with the spot price hitting USD $444/t in late January.
- It is expected that high pricing levels may last into Q2 of CY 2022 before prices return to lower levels with the end of the rainy season and reduction in Covid cases. However continued demand and uncertainty could keep pricing buoyant.
- China currently remains on the side lines in the lead up to the lunar new year holidays. Curbs on steel production are expected to remain in place until after the Winter Olympics in February with the Chinese Government wanting to reduce pollution over this time.

[1] EBITDA includes corporate overheads for BT Mining in NID, Bathurst in SID.
[2] Actual USD monthly export pricing based on a monthly average of the S&P Global Platts Premium Low Vol benchmark daily spot pricing. Forward curve is based on the 25 January 2022 S&P Global Platts Premium Hard Coking Coal Australia FOB derivative assessment.

REVISED FY22 EBITDA GUIDANCE



Export

Revenue benefits from:

- An uplift in the forecast full year average HCC benchmark price to USD $317 (previously USD $268), partially dampened by price hedging previously put in place at levels lower than actual pricing.
- A change in the NZD:USD FX rate forecast from 0.74 to 0.68 in H2 as a result of the recent FX movements has also had a positive impact as this translates to higher NZD sales revenue.

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.
- Labour costs as employee contracts have a profit share aspect pegged to revenue.
- Fuel price increases. The budgeted input for FY22 mine operating costs was $0.94/litre. At the end of December the actual price was $1.21/litre, and the H2 forecast assumes $1.25/litre. Freight charges on transporting the coal from mine to port have also increased due to a fuel price adjustment passed on by the rail provider. This has moved from an actual charge of $0.75/t in July to a forecast $1.70/t for H2.
- Increased waste stripping costs (coming through in contractor fees, and increased FTEs and rostered hours). The flooding event in July and the COVID related lockdown in August caused a significant shortfall in planned stripping levels. The reforecast accounts for the operational changes required to ensure the mine continues to meet its sales plan.

NID including BT Mining corporate overhead costs

- Sales volumes have increased across all major customers, as well as higher average price received from the contractual PPI increases, both benefiting revenue.
- Cost increases have partially offset the uplift in revenue. Fuel prices have significantly impacted H1 actual results and the forecast for H2 assumes $1.20/litre versus an original budget of $0.89/litre. Increased hire plant fees to remediate a slip, and additional fixed plant repairs and maintenance at Rotowaro on the wash plant and water management are other key drivers.

SID including BRL corporate overhead costs

- Corporate overhead salary costs increased due to performance incentive payments which were approved post the favourable Supreme Court ruling in July.
- Legal fees incurred in defending BRL against claims bought by L&M (refer final page of this release) are higher than anticipated.
- Net freight revenue margins have been squeezed due to rising fuel costs.

OPERATIONS REVIEW

Export (Stockton) (65%)

There were six shipments in the quarter, with sales of 293kt which is 81kt ahead of budget. Half of this variance is from a September boat moving into October. The remainder is due to a change in the product mix due to production issues, impacted by COVID related operating restrictions and the flooding event in July. This meant thermal coal stockpiles were drawn down, with thermal shipments planned for H2 moving into H1 (which were higher sales volumes per boat).

Average price per tonne ("/t") excluding hedging was NZD $322/t, NZD $122/t higher than Q1 and NZD $34/t higher than budget. The average benchmark price has maintained its high levels, moving from USD $203/t in Q1 to USD $371/t in Q2 which will inform some of the Q3 sales pricing.

Overburden removal was again behind plan in Q2, impacted by weather and unfilled FTEs reflecting the NZ labour shortage. The engagement of contractors to undertake waste stripping in H2 is included in the reforecast to address this shortage. Production levels were consistent to budget. Cost per tonne was impacted by the increase in coal purchases price per tonne which is pegged to the benchmark, and volume which is in line with increased sales volumes.

To reduce future sales price fluctuation exposure, 155kt of sales are hedged at an effective average price of NZD $278 per tonne.

NID (65%)

Rotowaro

Overburden removal and production tonnes were again both impacted by wet weather downtime, as well as delays to the stream diversion construction. Plans to recoup this shortfall are built into the reforecast for H2.

Sales volumes were marginally behind plan however these are expected to be realised in H2. Average price per tonne has increased from producer price index ("PPI") increase clauses inbuilt in customer contracts, primarily driven by a higher fuel price.

A base level of fixed costs (primarily labour) that are still incurred even when production and overburden removal levels decreased due to the operational delays, as well as underlying increases in fuel costs meant that overall cost per tonne was adverse to plan.

Maramarua

Production volumes exceeded budget to meet marginally increased sales volumes. As with Rotowaro, PPI contractual price increases are flowing through in average price received per tonne.

The geotechnical event in the K1 pit during September had a flow on effect on operations in October in terms of overburden stripping capabilities. A catch up is planned in H2 with the mine able to continue meeting its coal sales due to ample stockpiled coal.

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

SID (100%)

Takitimu

Production and sales volumes were in line with plan for Q2. Overburden removal was marginally impacted by unplanned downtime over the Christmas break, however plenty of stockpiled and accessible coal mean the mine is still well placed to meet future coal sales.

Cash costs were in line with budget for the quarter, however delayed repairs and maintenance from Q1 is still expected to come through in H2.

Canterbury

The mine is well advanced with the planned closure, with 19.4 hectares rehabilitated during Q2. Wet weather caused a delay to plan however this will be recovered. Offices have been relocated and redundant infrastructure removed to allow rehabilitation, and surplus equipment sold as it became available. 6kt of coal sales were made which has fully depleted coal stocks.

Exploration

$182k consolidated spend across projects for Q2. Key works consisted of:

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

Development

$1.8m consolidated spend across all projects for Q2, with key spend on:

- $1.1m on capitalised stripping from operating mine pits.
- Consent applications for the M1 pit at Maramarua.
- Stream diversion design and construction at the Rotowaro mine.

Crown Mountain

The consultation and regulatory required review of the draft environmental assessment application ("EA") has been progressed by key indigenous nations. Consolidation of technical reports and incorporation of comments from indigenous groups and interim feedback from regulators into the EA is being finalised.

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 ($0.4m 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 for mid-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, based on legal advice, continue to 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. A hearing is scheduled for 20 to 22 June 2022.

This document was authorised for release by the Board of Directors on 31 January 2022.

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At 24 January 2022:

Share price: AU 82 cents
Issued Capital: 171m ordinary shares
Market capitalisation: AUD $140.0m

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Richard Tacon – Executive director
Francois Tumahai – Non-executive director
Russell Middleton – Executive director

ASX Code: BRL

Website and email
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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	20.6%
Europe	6.8%
New Zealand	6.6%
Management	2.5%
AU Institutional	1.9%
Other	12.6%
Total	100%

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