BATHURST RESOURCES LIMITED

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FY22 RESULTS ANNOUNCEMENT

- **75 percent increase in EBITDA to $104.4m**
- **191 percent increase in underlying profit after tax to $43.1m**

Financial measures (NZD)	**2022 $m**	**2021 $m**
Revenue[1]	295.2	212.6
EBITDA[2]	104.4	59.5
Net profit after tax	30.5	66.7
Underlying profit after tax	43.1	14.8
Cash	76.0	20.2
Reconciliation of underlying profit after tax to net profit after tax		
Underlying profit after tax	43.1	14.8
Fair value movement on convertible bond derivatives	(12.3)	1.1
Impairment	(0.3)	(22.5)
Reversal of previously recognised performance payment	-	73.2
Net profit after tax	30.5	66.7

CEO'S COMMENTS

Our FY22 results reflect a significant step change in the earnings of our export segment, which tripled year-on-year due to the rise in the export pricing benchmark. The long-awaited pricing recovery began in June last year as the global economy began to re-open after COVID related lockdowns, which increased demand against a tight supply and limited spot cargo availability. Pricing continued its upwards trend, reaching record highs in Q2 and into Q3. Coal supply was impacted in Australia due to heavy rainfall and COVID impacted worker availability and then further disrupted by the war in Ukraine, against a continued robust demand due to COVID related stimulation packages.

Partially offsetting the increased revenue was an increase in our cost base, reflecting the national and wider global trend of increasing inflation, COVID related supply chain disruptions, labour supply shortages, and macro market impacts from the war in Ukraine affecting the price of fuel as well as other commodities. The average rate of inflation increased to 7.3 percent for the 12 months to 30 June, and fuel costs more than doubled since the beginning of the financial year.

The realised hedging expense recorded in BT Mining increased in line with the sharp rise in export pricing levels, which significantly exceeded the market consensus of forward pricing when these hedges were initially set. All hedges contracted pre-FY22 matured during the year, and at the end of June we were in a fair value gain position, reflecting a gradual decline in export pricing levels towards more sustainable levels in the last quarter.

Across our mines production targets were met despite significant operational challenges, partially from COVID related disruptions but more significantly weather. Wetter and more extreme than usual weather was the biggest disruptor to our operations, with two significant flooding events affecting the Stockton mine, a slip in June at the Maramarua mine due to excessive rainfall, and lower production levels at the Rotowaro mine due to increased wet weather. Our ability to continue to meet contracted sales is a testament to the proactive approach to operational planning by our site and operational teams, as well as maintenance of stockpiles, and ability to shift coal supply between our North Island domestic mines. The Canterbury mine which closed last year has been transformed

[1] Includes realised FX and coal pricing hedges on export sales. Unrealised movements in coal pricing and FX hedging goes through other comprehensive income.
[2] EBITDA is a non-GAAP measure and reflects earnings before net finance costs (including interest), tax, depreciation, amortisation, impairment, non-cash movements on deferred consideration and rehabilitation provisions.

Financial figures in this release are 100% Bathurst and 65% BT Mining and in NZD unless otherwise disclosed through earthworks and restorative planting that have rehabilitated the site into being suitable for its former uses of pastoral farming and plantation forestry.

Agreement with key customers supporting the three-year extension (based on current production/sales volumes) to operations at the Rotowaro mine is near completion, with the extension subject to final resource consent approval. The project will support three of New Zealand's largest companies and provide 175 on-site jobs for locals in the Waikato region. The project is structured as a commercial partnership with the upfront waste stripping investment being shared. There is no significant new equipment capital outlay required as the fleet from the current operations will be utilised alongside a refurbishment programme extending the life of the assets.

Looking ahead, our resilience in tackling the challenges posed to us over the last 12 months gives myself and the Board of Directors great confidence in the ability of our people to be adaptive and proactive in managing any future challenges.

OPERATIONS

Bathurst is New Zealand's leading coal producer, engaging in the development and production of coking and thermal coal in New Zealand. Bathurst also has an equity stake in a Canadian high quality coking coal exploration project.

Export operations (65 percent equity share via BT Mining joint venture)

Measure		Export 2022	Export 2021
Production (100% basis)	kt	913	938
Sales (100% basis)	kt	1,023	1,088
Overburden (100% basis)	Bcm 000	4,446	3,685
Revenue incl. realised hedging (65% equity share)	$'000	193,242	97,211
Average price received per tonne (100% basis)	$/t	290.5	137.4
EBITDA (65% equity share)	$'000	83,398	19,112

Commentary:

Sales tonnes	• 50kt of sales slipped from the end of June to early July due to a weather-related delay of the arrival of the vessel into port.
Revenue	• The average benchmark price was beneficial year-on-year, USD $374/tonne FY22 versus USD $116/tonne FY21. Export sales are a mix of being priced against the spot price or a prior 3-month average (t minus 1). • The sales mix had an unfavourable impact, with a higher percentage of thermal sales replacing semi-hard to align with production; realised hedging expense also partially offset the higher pricing.
EBITDA	Benefited from the uplift in revenue, partially dampened by the following key cost uplifts: • Costs have increased due to a mix of underlying unit cost increases, flooding related disruptions and COVID related absenteeism. • Purchased coal which is added to the mine's coal blend to meet contract specifications is priced against the USD benchmark so the cost fluctuates in line with revenue. • Fuel pricing increased from a July 21 average price $1 per litre to $2.42 in June 22. • Profit share for employees which is pegged to uplifts in sales revenue.

Domestic operations (100 percent SID and 65 percent NID equity share via BT Mining)

Measure		Domestic 2022	Domestic 2021
Production (100% basis)	kt	964	1,109
Sales (100% basis)	kt	935	1,098
Overburden (100% basis)	Bcm 000	7,285	15,882
Revenue (equity share basis)	$'000	101,955	115,416
EBITDA (equity share basis)	$'000	36,511	52,644

Commentary:

Sales tonnes	North Island domestic ("NID") decreased due to a planned step down in sales volumes to an electricity generation customer. South Island domestic ("SID") sales volumes primarily declined due to the closure of the Canterbury mine.
Overburden	Waste moved in advance has reduced significantly at the Rotowaro mine (NID) as it moves closer to the end of its mine life.
Revenue	Revenue decreased for both NID and SID due to lower sales volumes, partially offset by contractual PPI increases.
EBITDA	EBITDA was negatively impacted in both NID and SID from reduced sales tonnes, as well as increases in costs. SID primarily impacted by: • Closure of Canterbury mine. • Reduction in net freight revenue as margins were eroded by a hike in fuel costs and government levies. NID primarily impacted by: • Reduced sales tonnes leading to lower production, which means the cost per tonne increases, particularly at the Rotowaro mine which has a high proportion of fixed costs, notably labour and repairs and maintenance which represent ~ 60 percent of total cash costs. • 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 which increased at similar rates to export. • Labour costs have increased in line with contractual CPI adjustments.

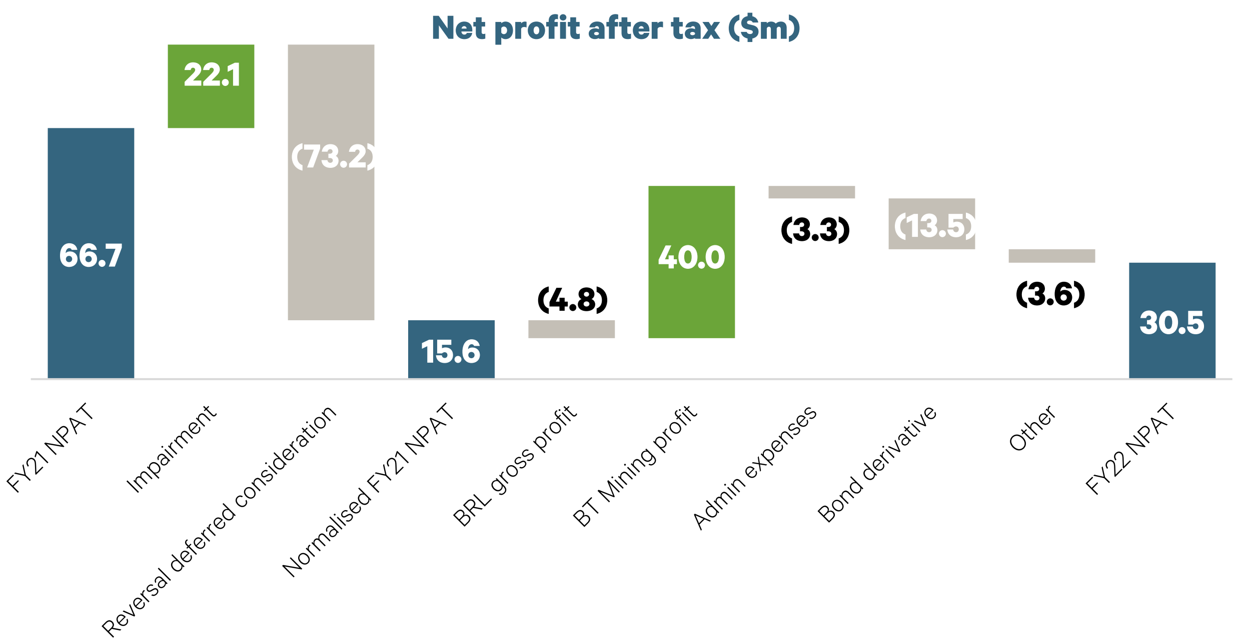
Corporate

Corporate overhead costs included in the total group consolidated EBITDA increased year-on-year, $15.5m FY22 versus $12.3m FY21. This reflects an increase in Bathurst overhead expenses:

- Overhead salary costs increased from short term performance incentives.
- Legal fees incurred in defending Bathurst against claims brought by L&M (refer note 23 of the financial statements).

FINANCIAL RESULTS

Normalised profit increased in FY22, when prior year non-cash impairment and reversal of deferred consideration transactions are excluded.



Key movements in net profit after tax:

Impairment	+$22.1	In the prior year there was a write-off of Canterbury mine assets due to closure of the mine at the end of June, and an impairment of a historical acquisition value relating to the New Brighton permit (adjacent to the current Takitimu mine operations).
Reversal of deferred consideration	-$73.2m	Deferred consideration including accrued interest on the Buller Project was reversed in the prior year, due to a Supreme Court ruling which determined that payment could be suspended.
BRL gross operating profit	-$4.8m	The cessation of operating at the Canterbury mine, and a reduction in net freight revenue are key drivers. Refer to domestic operations overview (South Island domestic) for further information.
Equity share of joint venture BT Mining profit	+$40.0m	Increase from export operations driven by higher pricing received on sales, partially offset by a decrease in earnings for the North Island domestic segment. Refer to export and domestic operations overview for further information.
Admin expenses	-$3.3m	An increase in corporate administration costs, largely driven by increased legal fees incurred in defending Bathurst against claims bought by L&M, and overhead salary costs that included short term incentive performance payments in the current period.
Fair value movement on convertible bond derivative	-$13.5m	This movement reflects the valuation of the conversion option of the AUD convertible bonds, with an expense recorded as Bathurst's share price exceeded the strike price of the bonds. This is a non-cash item, with the other side to the expense now recorded in issued equity, as the bonds were converted to shares during the year.

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KEY GROWTH PROJECTS

Project location	Project type	Market	Project description
British Columbia, Canada	Exploration project in new mining area	Coking coal for steelmaking for the export market	High quality coking coal joint venture. See below for further detail.
South Island, New Zealand	Extension to existing operations	Coking coal for steelmaking for the export market	Drilling and consenting works continue at the Denniston plateau (West Coast of the South Island) projects to assess converting resources to reserves.
North Island, New Zealand	Extension to existing operations	Thermal coal and coal for steelmaking for domestic market	Rotowaro North of which the economic feasibility is being assessed.

Crown Mountain exploration project, Canada

A further $0.8m was invested in the Crown Mountain project, a coking coal exploration project in Canada with joint venture partner Jameson Resources Limited. The funds were invested on a proportional equity basis as ordinary equity and were used to further the environmental assessment application, which was submitted in May 2022.

Key findings of the bankable feasibility study on the project released in July 2020 reaffirmed the project as a high-quality coking coal opportunity with a competitive operating and capital cost structure, with access to existing common user rail and port infrastructure. Results of a yield optimisation study released in August 2021 has confirmed the potential for increased production and considerably improved economic outcomes of the project by increasing product ash levels which enables increased processing yield.

Bathurst's equity share is 22.1 percent including preference shares, with the option to buy-in to 50 percent of the project at Bathurst's sole discretion.

CASH FLOWS

		2022	2021
	Opening cash (consolidated)	**20.2m**	**26.0m**
Operating	EBITDA	104.4	59.5
	Working capital	(4.9)	1.8
	Canterbury rehabilitation	(3.8)	-
	Corporation tax paid	(4.5)	(18.2)
Investing	Deferred consideration	(2.3)	(4.6)
	Crown Mountain (environmental assessment application)	(0.8)	(0.8)
	PPE net of disposals	(8.1)	(6.3)
	Mining assets including capitalised stripping	(11.7)	(20.5)
Financing	Finance leases	(8.5)	(9.9)
	Interest repayment on AUD convertible bonds	(1.3)	(2.2)
	Borrowings repayments	(2.6)	(4.2)
	Financing costs/other	(0.1)	(0.4)
	Closing cash	**76.0m**	**20.2m**

Canterbury rehabilitation

The mine was closed at the end of June 2021, with rehabilitation due to be complete Q1 FY23.

Corporation tax paid

FY21 tax paid in FY22. FY22 tax was paid post year end in July 2022.

Deferred consideration

Payments for the year consisted of royalties on Takitimu mine sales, and a final payment in November relating to the acquisition of the BT Mining assets.

Crown Mountain

Funds paid were on a proportional project equity ownership basis and were used to submit 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

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

CORPORATE

Capital management

No dividends were paid or declared during the year. Bathurst is currently working through capital management matters for BT Mining with the joint venture partner and will advise the market once these are resolved.

LITIGATION

The legal actions bought against Bathurst by L&M Coal Holdings Ltd continue. We continue to believe based on legal advice that it is unlikely these claims will be successful. For further information refer note 23 in the financial statements.

This release was authorised for issue by the board of directors on 30 August 2022.

Bathurst Resources Limited

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Chief Executive Officer

Richard Tacon

Directors

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

Substantial holders at 30 June 2022:

Republic Investment Management Pte Ltd
Talley's Group Ltd
Crocodile Capital
Chng Seng Chye

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