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BATHURST RESOURCES LIMITED

Quarterly Report

September 2020 quarter

Highlights

- Consolidated EBITDA[1] full year EBITDA guidance of $62.1m announced.
- The domestic business contributed $7.6m to consolidated EBITDA for Q1FY21, broadly in line with the prior corresponding period.
- Coal exports for the quarter contributed $3.0m to consolidated EBITDA, with pricing impacted by COVID-19.
- Total recordable injury frequency rate 8.0 per million hours worked, down from 8.6 at 30 June; lost time injury frequency rate maintained at 2.9 per million hours worked.
- Maintenance of cash levels, with consolidated cash at 30 September $24.7m.
- Three entries named finalists in the Minerals Sector Awards 2020.

CEO'S COMMENTS

Directors are pleased to provide EBITDA guidance for FY21 of $62.1m. With export pricing for the most part in line with expectations, management now have greater confidence for EBITDA to be reported, notwithstanding that uncertainty remains in the export coal pricing market in the short to medium term.

The guidance figure of $62.1m is a retraction from our financial performance in recent years, as our export segment operates within a lower export pricing environment as the impacts of COVID-19 continue to create uncertainty in the global steel production market. We acknowledge the financial support provided by the New Zealand Government which has assisted with ensuring continuity of employment during this period. In this context it is worth noting that our domestic segment continues to contribute stable positive cashflows.

It is also pleasing to report the placing of three of our entries as finalists in the Minerals Sector Awards 2020. These include two finalists in the environment management category, one regarding the elimination of historic acid mine drainage at our Canterbury mine, the other covering mine management practices to enhance indigenous bird populations at the Stockton mine. The third finalist was in the health and safety category.

We were pleased with how the appeal went in the Supreme Court of New Zealand, appealing the Court of Appeal's decision on the claim against Bathurst by L&M Coal Holdings Limited. We look forward to finalising this matter in 2021 when the court's decision is made. In the meantime, we continue preparation in the event of an unfavourable outcome.

[1] Earnings before net finance costs (including interest), tax, depreciation, amortisation, impairment, non-cash fair value movements on deferred consideration and rehabilitation provisions.

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HEALTH, SAFETY AND ENVIRONMENT

Bathurst was a finalist in the Minerals Sector Awards 2020 in the health and safety category for its company-wide medical assessment health programme which was designed to give us insights into how we can better support our people to be fit for work. Other notable achievements during the quarter include:

- As New Zealand moved back to COVID-19 Alert Level 2 on the 12 August, it was pleasing to see that sites were ready to reimplement our Level 2 health and safety protocols within the first shift. We returned again to our COVID-19 Level 1 health and safety protocols on 21 September and have not recorded any positive COVID-19 cases across our sites to date.
- We set a focus for hazardous substances for the quarter, with hazardous materials training and software upgrades being completed. An internal audit on hazardous materials has also commenced and will be completed in Q2.
- A continuous improvement project has been initiated on enhancing water management practices. The project over two quarters will involve water infrastructure audits, revision of water risk assessments, and subsequent updates of site water management plans.
- A mobile plant operator with a soft tissue back injury resulted in four lost days.

PERFORMANCE METRICS

September quarter	Export 100%	NID[2] 100%	SID[2] 100%	BRL equity share	Prior period equity share
Production (kt)	230	183	61	**329**	**356**
Sales (kt)	275	155	65	**345**	**408**
Overburden (Bcm '000)	853	3,325	711	**3,427**	**2,654**
Coal sales revenue ($'000)	34,570[3]	19,682	9,568	**44,832**	**65,298**
Production costs ($'000)	(29,423)	(11,549)	(7,226)	**(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 include the following cash and non-cash items:

- Raw materials, mining costs and consumables used.
- Freight costs.
- Mine labour costs.
- Net stripping (amounts capitalised offset by amortisation of the same).
- Movements in inventory.

[2] North Island domestic and South Island domestic.
[3] Includes realized FX and coal price hedging income of $2.7m.

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CONSOLIDATED CASH MOVEMENTS

		Q1/YTD
	Opening cash	**$26.0m**
Operating	EBITDA	$10.6m
	Working capital	$6.5m
	Corporation tax paid	($3.9m)
Investing	Deferred consideration	($0.2m)
	Feasibility studies (Crown Mountain)	($0.4m)
	Property, plant and equipment	($1.1m)
	Mining development including capitalised stripping	($6.4m)
Financing	Finance lease repayments	($2.8m)
	Interest on corporate debt instruments	($0.3m)
	Borrowings repayments plus interest	($3.3m)
	Closing cash	**$24.7m**

EBITDA

Earnings for the domestic business (including corporate overhead expenses) for Q1FY21 contributed $7.6m which is consistent with the comparative financial period. This is seasonally a lower earnings quarter for the domestic business due to dairy production slowing over the winter months.

The export segment contributed the remaining $3.0m consolidated EBITDA which is significantly lower than that of the comparative financial period. As the COVID-19 pandemic continues to influence coking coal export pricing, the average price per tonne received dropped from NZD $188 per tonne in Q1 of FY20 to NZD $116 per tonne in Q1 of FY21. Sales volumes for Q1 also decreased comparatively by 52kt with planned production levels affected by the previous quarter's COVID-19 related shutdown.

Mining development

Spend on mining development reduced to normal levels from the uplift seen in Q4 of the prior financial year. The majority of the balance relates to capitalised stripping at the Waipuna West pit at the Rotowaro mine, which is planned to be completed in the third quarter of FY21.

Finance lease repayments

Repayments including interest on leased assets, primarily consisting of yellow goods.

Borrowings repayment plus interest

A partial repayment of funding received in advance on stripping activities for the Waipuna West pit.

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FY21 EBITDA GUIDANCE

	Metric	Export	NID	SID	BRL equity share
Sales	kt	1,001	706	343	1,453
EBITDA	NZD	$37.3m	$43.8m	$9.4m	$62.1m

Key export guidance assumptions

Forecast export sales pricing is indicatively based on 70% of an average HCC benchmark of USD $124 for Q2, and USD $135 for Q3 and Q4, at $0.64 NZ:USD across all sales types including thermal coal sales.

The forecast percentage of achieved benchmark pricing has reduced this year to 70% due to a change in the product sales mix and the impact on planned timing of shipments. This is anticipated to revert to a more normal level in FY22 as shipments return to normal, which will see an increased proportion of semi-hard coking coal sales.

Export market commentary

September quarter

- The recent quarter was tough for many players with steel mills across the globe (excluding China) feeling the ongoing impact of COVID-19 and the associated lockdowns which impacted both demand and steel production.
- China is the exception, enjoying increased economic activity due to controlling the virus early, and lifting lockdowns earlier than many other countries. The increased demand from China for seaborne metallurgical coal helped limit the larger drop in price that many were expecting.
- During August and September, we saw the return of Indian, Japanese and Korean buyers to the market as they looked to ramp up steel production on the back of increased demand.
- This returning demand from buyers outside China helped lift the HCC price from the lows in mid-August of USD $106/tonne to a high of USD $139/tonne by the end of September.

Outlook

- The ongoing uncertainty around Chinese import restrictions and seaborne coal quotas will continue to limit any upside in coal price out towards the end of this calendar year.
- However, it is expected that new quotas for the 2021 calendar year will be released over the next month which will bring Chinese buyers back to the seaborne market.
- Ongoing political tensions between China and Australia may continue to impact demand in the short-term, but given the large price difference between Chinese domestic coals and seaborne coals, it is expected that Chinese buyers will be eager to return to the seaborne market to secure premium Australian HCC coal which are hard to replace with alternative coals.
- Overall, market fundamentals have improved significantly since mid-year and it is expected demand will increase as steel mills return to pre-COVID 19 levels. Uncertainty however does remain in the market in the short to medium term as global economies continue to operate through the ongoing pandemic.

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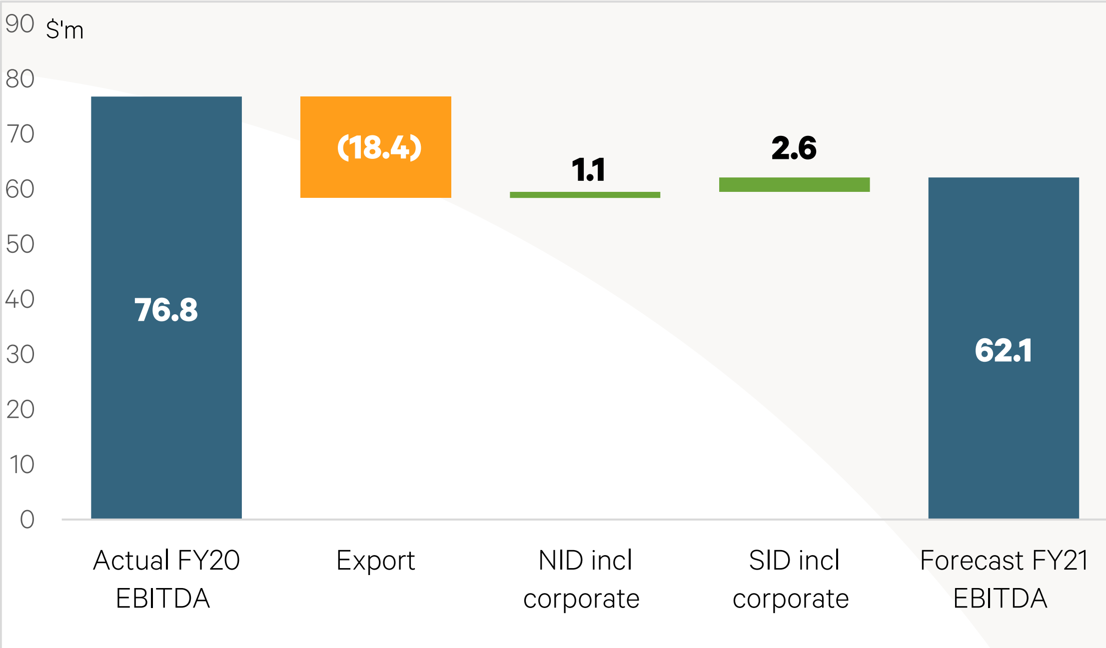
CONSOLIDATED FY21 V FY20 EBITDA



Export

Expected lower benchmark pricing and a shift in the sales mix of product sold is the key driver of the forecast $29m decrease in revenue from coal sales. Sales volumes have also been reduced marginally (76kt) from levels in FY20 during this period of lower pricing.

The reduction in revenue has been partially offset by an underlying decrease in the cost of production. Savings arise from a significantly lower fuel price, as well as a shift to permanent employees from contracted labour in the mobile plant workshop. Additionally, overall maintenance spend on major equipment is less this year, partly due to a shift in where operations are in the collective asset's maintenance life cycle (meaning less maintenance is required), as well as strategic management of which machines are used.

NID including BT Mining corporate overhead costs

NID's sales volumes are forecast to reduce by approximately 80kt from last year due to re-negotiated contracted sales volumes, which sees the timing of these sales move out to the end of the contract. This has been offset by an increase in the average price per tonne on a key contract and a shift of sales volumes to higher margin customers.

An overall reduction in cost of production per tonne is also beneficial, due to reduced plant hire and repairs and maintenance as the mechanical issues on key yellow goods experienced last year are being resolved.

SID including BRL corporate overhead costs

The SID segment is forecast to benefit from an uplift in the average price per tonne on sales volumes this year due to a key re-negotiated sales contract. Sales volumes are consistent with last year as are production costs per tonne. Corporate costs are forecast to reduce, key savings being on travel which is restricted due to the COVID-19 pandemic.

OPERATIONS REVIEW

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Export (Stockton) (65%)

There were six shipments in the quarter, with sales of 275kt which slightly exceeded budget. Average price per tonne was NZD $116, NZD $43 less than the previous quarter.

Overburden removal came in ahead of forecast, with the focus on increasing coal exposure in the Millerton pit.

Roster changes were implemented as a result of a planned reduction in production levels as benchmark pricing reached a low during the quarter. Weather conditions and pit geology also impacted pit production. Stockpiles were used in response to maintain committed sales volumes.

At 30 September, to reduce sales price exposure, 163kt of sales were hedged at an effective average price of NZD $215 per tonne.

NID (65%)

Rotowaro

Overburden volumes were 8 percent adverse to budget as the mechanical issues on mobile plant slipped into July, and extended periods of wet weather interrupted the planned mining cycle. The issues with mobile plant reduced over the latter part of the quarter as the benefit from maintenance work brought results.

Sales and production were in line with plan, with the operational focus on re-building stockpiles after they were drawn down in the previous quarter. This was because of mechanical issues and weather delays and required operational changes due to the COVID-19 lockdown, which caused a deficit in planned waste stripping levels.

Cash costs were less than planned, benefiting from cost savings due to lower fuel prices.

Maramarua

Sales and production volumes were reduced from plan as expected contracted volumes did not eventuate; it is expected that these will be re-couped by the Group over the remainder of the financial year.

Overburden removal volumes continue to exceed plan, due to beneficial weather patterns and machine availability.

SID (100%)

Takitimu

Wet weather and to a lesser extent snow hampered production and overburden removal during the quarter, with sales being met through a marginal drawdown of stockpiles. These shortfalls will be caught up in the next quarter as we move into summer.

Sales were slightly behind plan due to the dairy season being slightly delayed, however these volumes are expected to be picked up in the next quarter.

Canterbury

With production and overburden levels exceeding budget in the previous quarter, these volumes were slightly less than plan this quarter, whilst still maintaining required levels of coal supply.

Sales were slightly behind plan for the quarter however these are projected to return to normal levels over the summer months. Cost savings were realised in the quarter and expected for the remainder of the year after a review of labour requirements.

Exploration

$25k consolidated spend across projects for Q1.

Buller Project

Small amounts of work were done on the Sullivan infrastructure design and groundwater plans, as well as a geomorphological assessment of the plateau; the intent is to ramp this project back up again in Q2.

Domestic

Drilling commenced at Maramarua towards the end of the quarter.

Development

$10.4m consolidated spend across all projects for Q1, with key spend on:

- Capitalised stripping from operating mine pits, particularly Waipuna West.
- Construction work continued on the new water treatment sump and dosing plant at Stockton.
- Stream diversion at Rotowaro.
- Fines coal storage project at Stockton.

Crown Mountain

With completion of the bankable feasibility study (“BFS”) during the quarter, work commenced on BFS optimization with coal sent to labs for blending and to Canmet for heated oven testwork.

A further write-up was done of the existing conditions and effects assessment as part of the environmental assessment (“EA”) application process. This is on track for the application to be submitted in Q1 of CY2021.

This quarter CAD $377k was contributed in proportion to our equity holding to advance the EA process. Our equity share remains at 22.2 percent of the project including 2.2 percent held as preference shares from the advance.

CORPORATE

Litigation

As previously reported, on 24 April 2020 the Court of Appeal dismissed Bathurst's appeal against the 2018 High Court judgment which found Bathurst liable to make payment of a USD $40m performance payment to L&M Coal Holdings Ltd ("LMCH") under the terms of the Agreement of Sale and Purchase ("ASP") dated 10 June 2010 entered into by the parties. Following this, on 27 July 2020 the Supreme Court of New Zealand granted special leave to Bathurst to appeal the Court of Appeal decision. Our appeal was heard by the Supreme Court on 8 and 9 October 2020, with management pleased with how the hearing proceeded. A judgment from the Supreme Court is expected in early to mid 2021.

Separately, on 4 May 2020 LMCH served notice of arbitration on Bathurst claiming that the second performance payment of USD $40m under the ASP is due resulting from alleged Change in Control events. Bathurst has undertaken a forensic analysis of its shareholder register and there are no occasions where the 50% threshold has been breached or close to being breached. LMCH has also alleged that certain shareholders have undisclosed associations and have exerted effective control over Bathurst's Board of Directors, and its subsidiary Bathurst New Zealand Ltd. These allegations are false and denied, and Bathurst will vigorously defend these claims as Bathurst believes the allegations are opportunistic and vexatious.

This document was authorised for release on behalf of the Board of Directors on 28 October 2020.

Richard Tacon, CEO

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At 30 September:

Share price: AU 3.9 cents
Issued Capital: 1,707m ordinary shares
Market capitalisation: AUD $66.7m

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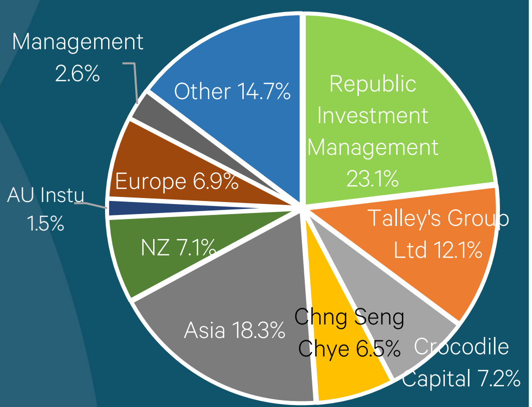

BATHURST RESOURCES LIMITED

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

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