BATHURST RESOURCES LIMITED

Quarterly Report

March 21 quarter

Key items

- EBITDA[1] guidance maintained at $55.4m.
- The domestic business (incl. corporate overheads) contributed $10.7m EBITDA in Q3 ($31.4m YTD), ahead of forecast.
- The export segment contributed $10.0m in EBITDA in Q3 ($16.1m YTD), reflecting an increase in pricing and volumes from previous quarters. Gains from increased volumes and realised FX hedging have also meant earnings came in favourable to forecast.
- Share consolidation on a 10:1 basis announced.
- Consolidated cash at 31 March $11.8m.

CEO'S COMMENTS

Directors are pleased to confirm the EBITDA guidance has been maintained. Whilst we did see an uplift in export pricing in Q3, it did not reach expected levels as China has maintained its ban on coal imports from Australia. However, management are comfortable that the upside from Q3 plus additional sales volumes now contracted in Q4 will offset the expected lower than forecast pricing on export sales. Our domestic business continues to run smoothly and is also expected to achieve earnings projections, noting some maintenance spend has been deferred to Q4.

The announcement of the closure of our Canterbury mine at the end of February was an outcome management fought hard to avoid. The wind-down process of the mine is progressing well, with the operations well placed to meet remaining sales commitments. Closure plans are being finalised as we move to commencing rehabilitation in the second half of the year.

The 10:1 share consolidation announced early in April and in effect from mid-April, is something that has been under consideration for some time. Post the consolidation, our shares on issue went from 1.7 billion to 170 million. The outstanding judgment from the Supreme Court in part continues to have an impact on our share price, as well as the general coal export market environment. However, the increase in the share price from the consolidation is expected to make our shares more appealing to a wider range of investors.

Our cash balance reduced during the quarter, primarily from timing of receipts from export sales that increased receivables at the end of the quarter. These funds were received in April.

[1] 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

New Zealand has remained at COVID-19 Alert Level 1, which allows our operations to function under normal production processes, with increased health and safety protocols.

There were a further two lost time injuries in the quarter at the Rotowaro mine. One involving a mobile plant operator who received seat belt bruising during a single vehicle rigid truck rollover. The second was a shoulder strain during a manual handling task.

As a result of these and other recent lost time injury incidents, an assessment was completed of causal mechanisms of high potential incidents and near misses over the past 12 months. From this, a Field Leadership Programme has been introduced with the objective to have managers engaging in positive conversations about safe behaviours, encouraging improvements, and acknowledging good work. The programme will cover a multi-layered process to be actioned by our leaders across all levels of the organisation.

Once training and feedback is completed, a campaign involving the workforce will commence in May.

PERFORMANCE METRICS

March quarter	**Export 100%**	**NID[2] 100%**	**SID[2] 100%**	**BRL equity share**	**Prior period equity share**
Production (kt)	260	186	82	**372**	**401**
Sales (kt)	289	201	89	**408**	**347**
Overburden (Bcm '000)	894	4,227	674	**4,003**	**3,845**
Coal sales revenue ($'000)	44,282[3]	26,114	13,033	**58,790**	**48,414**
Production costs ($'000)	(30,832)	(16,518)	(11,612)	**(42,390)**	**(31,894)**
March YTD					
Production (kt)	688	609	240	**1,083**	**1,150**
Sales (kt)	819	530	264	**1,140**	**1,203**
Overburden (Bcm '000)	2,719	11,278	2,162	**11,260**	**10,434**
Coal sales revenue ($'000)	112,870[3]	68,668	38,579	**156,579**	**174,019**
Production costs ($'000)	(89,589)	(42,282)	(28,899)	**(114,615)**	

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 income of $6.9m for the nine months, $2.9m for the March quarter.

CONSOLIDATED CASH MOVEMENTS

		Q1	Q2	Q3	YTD
	Opening cash	**26.0m**	**24.7m**	**21.7m**	**26.0m**
Operating	EBITDA	10.6	16.1	20.7	47.5
	Working capital	6.5	(4.8)	(12.3)	(10.7)
	Corporation tax paid	(3.9)	(2.6)	(2.8)	(9.3)
Investing	Deferred consideration	(0.2)	(2.7)	(1.4)	(4.3)
	Feasibility studies (Crown Mountain)	(0.4)	-	(0.2)	(0.6)
	Property, plant and equipment	(1.1)	(1.4)	(2.2)	(4.7)
	Mining development including capitalised stripping	(6.4)	(4.3)	(6.5)	(17.2)
Financing	Finance lease repayments	(2.8)	(2.5)	(2.2)	(7.5)
	Interest and principal repayment on corporate debt instruments	(0.3)	-	(1.9)	(2.2)
	Borrowings repayments plus interest	(3.3)	(0.8)	(1.1)	(5.2)
	Closing cash	**24.7m**	**21.7m**	**11.8m**	**11.8m**

EBITDA

Domestic

- Earnings for Q3 were $10.7m ($31.4m YTD), favourable to forecast as operating costs came in lower across all four sites. The cost savings included a reduction in repairs and maintenance spend that is expected to be incurred in Q4. Refer to operations commentary for further cost information by site.
- Sales volumes were also slightly higher than forecast for the NID mines.

Export

- The export segment's EBITDA increased significantly to $10.0m for Q3, compared to $6.1m for the six months to 31 December.
- HCC benchmark pricing reached an average of USD $122/tonne for Q3, compared with USD $113 across Q1/Q2. This translated to NZD $153/tonne, up from NZD $130/tonne for Q1/Q2. Timing of shipments were also of benefit as they sailed at specific high price points during the quarter which were above the quarterly average.
- Part of the uplift was due to increased sales volume, reflecting the gradual market recovery.
- $2m consolidated revenue for Q3 was also realised on FX and coal price hedging.

Interest and principal repayment on corporate debt instruments

Funds partially repaid on NZD convertible notes and USD subordinated bonds that matured on 1 February 2021. The remaining balance was refinanced through the issue of AUD convertible bonds.

Borrowings repayment plus interest

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

Deferred consideration

Deferred consideration was paid in Q3 relating to the purchase of the BT Mining assets. There is one final payment due in Q2 of FY22.

FY21 EBITDA GUIDANCE

	Metric	Export	NID	SID	BRL equity share
Sales	kt	1,077	723	331	1,501
EBITDA	NZD	$28.4m	$43.1m	$9.0m	$55.4m

Guidance assumptions

Export

Forecast export EBITDA of $28.4m has been retained, despite it appearing unlikely that the Hard Coking Coal Premium Low Vol ("HCC") benchmark will reach an average of USD $135 for Q4.

Extra sales tonnes now booked for Q4, as well as benefits from realised FX hedging in Q3, are expected to offset any downsides from lower actual HCC pricing.

There are six boats scheduled for Q4, two in June.

Domestic

NID and SID EBITDA guidance has also been retained. The domestic business is operating as expected with any small variances expected to balance out across the segment.

Export market commentary

March quarter

- The HCC benchmark index started January around USD $100/tonne before rallying to reach a high of USD $160 in early February on the back of increasing steel production in markets outside of China.
- However prices dropped back down as the Chinese government confirmed a continuation of the ban on Australian coking coal imports into China. This remains the largest influence on the HCC benchmark, causing an oversupply of coal into the ex-China market.
- China has up to now been able to weather the higher priced domestic and Atlantic basin supplier (Canada & the US) coal due to high steel pricing.

Outlook

- The market outlook has not significantly changed over the last three months.
- Whilst the impact of uncertainty from COVID-19 has started to wane with most countries having the pandemic under control (with the exception of India), the oversupply issue due to the Australian coal import ban into China continues to keep the HCC benchmark suppressed.
- Boats carrying approximately 6Mt in coal from Australia have recently been unloaded in China that were previously queued at Chinese ports, indicating a potential weakening in China's stance.
- Pressure is mounting in China on authorities to again allow access to seaborne coal for cost and specification reasons, and there is an expectation that this may eventuate early in the new financial year.
- The China CFR remains higher than the HCC benchmark (averaging USD $150 - $160 per tonne) which is where the market expects the HCC benchmark to move towards once the import ban is lifted.

OPERATIONS REVIEW

Export (Stockton) (65%)

There were seven shipments in the March quarter, with sales of 289kt which was above forecast due to a ship moving into January that was originally planned for the December quarter. Average price per tonne excluding hedging was NZD $143, NZD $14 higher than Q2.

Overburden removal was again in Q3 ahead of forecast as the focus continues on the Millerton and Cypress pits, taking advantage of favourable conditions. Production levels were also higher than forecast in line with sales and the aim to replenish stockpiles from the drawdown in Q2.

To reduce sales price exposure, 140kt of sales are hedged at an effective average price of NZD $214 per tonne.

NID (65%)

Rotowaro

Overburden removal was ahead of forecast early in the quarter, however this was offset by a shortfall in March due to weather downtime and temporary reduced personnel meaning stripping levels came in 6% less overall. There is no risk to meeting customer demand though the shortfall will likely require additional stripping volumes in FY22.

Sales volumes were again slightly higher for the quarter. Production levels were marginally increased to meet the higher sales volumes, with stockpiles maintained.

Cash costs for the quarter were less than forecast bringing total costs back in line from a YTD perspective. These were primarily fuel cost savings due to shorter/flatter hauling distances, with some deferred repairs and maintenance spend that will occur in Q4. Overall though costs will reduce as a 400t operating unit has been stood down with the reducing overburden rate.

Maramarua

Sales were 3kt higher than forecast with production levels 2kt lower as the mine made use of stockpile tonnes.

Overburden removal was significantly higher than forecast during the quarter (202kbcm), taking advantage of favourable mining conditions.

Cash costs came in favourable to forecast as the cost per tonne/bcm was reduced due to improved machine productivity and less maintenance costs, and significantly less weather-related downtime meaning labour hours were close to being fully productive.

SID (100%)

Takitimu

Overburden and production volumes were lower than forecast due to a decision to allocate resources elsewhere in the mine (such as an upgrade of the settlement ponds), as the mine had sufficient coal availability to meet sales from operational gains made in previous quarters.

Sales volumes were also lower versus forecast by 6.9kt (11%) due to dry weather impacting the dairy season and mechanical issues at a customer impacting their demand. However as with Q2, a higher average price received due to good coal quality and increased contract pricing meant sales revenue achieved forecast.

Cash costs were favourable for the quarter and YTD; however savings from timing on repairs and maintenance spend are expected be incurred in Q4. Real savings from salaries due to vacancies and coal washing from constraints at the plant will remain.

Canterbury

Sales were 1.7kt (6%) below plan; volumes were down due to coal quality requirements on one customer contract, however this was partially offset by increased sales on another contract as the stocks are run down for a June closure date. Overburden and production levels were adjusted in line with the lower sales volumes.

Costs were favourable to forecast, as some staff left the mine before the planned closure date, and forecast maintenance spend was not required.

Exploration

$26k consolidated spend across projects for Q3.

Buller Project

Completion of baseline studies that show snails, kiwi and fernbirds are present in vegetation direct transfer areas of the Cypress pit. The resource and mining model for the Sullivan permit was also updated, ready for the mine planning update planned for Q4.

Development

$7.9m consolidated spend across all projects for Q3, with key spend on:

- $7.4m on capitalised stripping from operating mine pits, particularly Waipuna West.
- Construction work continued on the new water treatment sump and dosing plant at Stockton.
- Fines coal storage project at Stockton.
- Completed mine planning for the M1 pit at Maramarua to support baseline studies and assessment of environmental effects.
- Probe drilling at Takitimu.

Crown Mountain

The environmental assessment application ("EAA") progressed during the quarter, including completion of air quality modelling and effects assessments of flora and fauna, fish habitat and social and economic impacts. Extensive engagement was also done with key stakeholder groups. It is expected that the EAA will be lodged in the June quarter 2021.

Our 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.

CORPORATE

Litigation

There are no updates available regarding 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 ("L&M"), which was heard by the Supreme Court of New Zealand on 8 and 9 October 2020. Management expect a judgment from the Supreme Court in mid-2021.

The second legal claim served by L&M in May 2020, claiming that a second performance payment of USD $40m is due resulting from alleged Change in Control events, continues to progress through the arbitration process. A substantive hearing is set down for November 2021. Further analysis has confirmed Bathurst's position that the claim is vexatious and has no merit.

Share consolidation and debt refinancing

Bathurst announced a share consolidation on its shares during the quarter, for further information click HERE. Bathurst also refinanced its NZD convertible notes and USD subordinated bonds by issuing AUD convertible bonds – refer HERE for further information.

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

Richard Tacon, CEO

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At 22 April 2021:
Share price: AU 35 cents
Issued Capital: 171m ordinary shares
Market capitalisation: AUD $59.9m

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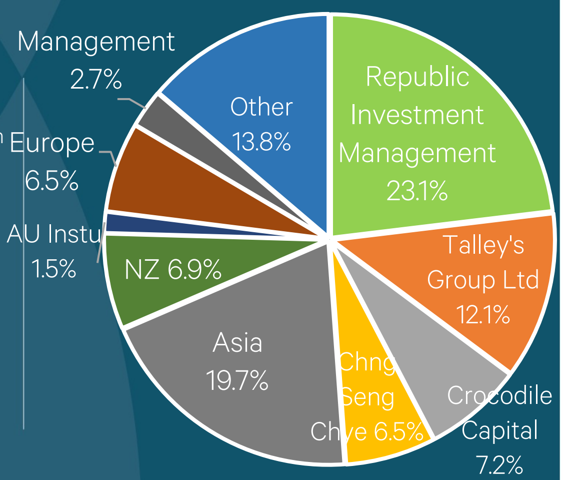

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Unless otherwise noted, all dollar amounts referred to in this report are in New Zealand dollars