BATHURST RESOURCES LIMITED

Quarterly Report

June 21 quarter

Key highlights

- Supreme Court rules in favour of Bathurst regarding long-standing legal dispute over a USD $40m performance payment.
- Unaudited EBITDA[1] for FY21 confirmed at $59.9m, $4.4m higher than guidance.
- All segments exceeded earnings targets for the 30 June 2021 financial year.
- EBITDA guidance for FY22 confirmed at $65.2m.
- Consolidated cash at 30 June $20.2m.

CEO'S COMMENTS

The last few months have been momentous for Bathurst. We have seen changes in our board of directors for the first time in six years, welcoming Francois Tumahai as an independent non-executive director. We also wish Toko Kapea who resigned from the board all the best with his future endeavours, and look forward to Peter Westerhuis steering the board as our new non-executive Chairman.

During this period, we have also seen the export coal price recover. The hard coking coal benchmark that our export pricing is set against, reached USD 200 per tonne in early July for the first time since June 2019. The benefits of which will be seen in the coming months, as is reflected in our guidance figure for FY22.

The Canterbury mine closed its doors at the end of June. We still have people onsite as the rehabilitation plan is already underway, and we expect the mine to be fully rehabilitated by May 2022. Our gratitude goes out to our staff at the mine, with our sincere thanks for their loyalty and hard work over the last 8 years that it has been under Bathurst ownership.

Last but not least, the resolution of the near five-year legal dispute with L&M Coal Holdings Ltd is a huge win for us. The litigation has been a significant distraction, and with this now closed out once and for all, we can look to the future and fully focus on creating value-accretive initiatives for shareholders.

[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 was one lost time injury at the Stockton mine during the quarter. A mechanic in error pulled a piece of equipment off the bench, and when they try tried to break the fall of the equipment they strained their shoulder and arm.

This type of injury has led to an increased TRIFR for Bathurst operations to 9.3, which management have identified as a specific area of concern. As a result, a review has been done of the Material Risk Management Plans, subsequent to detailed risk assessments, to ensure that key controls are adequate and relevant. A field leadership programme with a focus on a culture of behavioural safety has supplemented this work also. A core component of the programme is safety-based conversations occurring on site by leaders of all levels. The programme is two months old, and we are already seeing a reduction in reported incidents.

PERFORMANCE METRICS

June quarter	Export 100%	NID[2] 100%	SID[2] 100%	BRL equity share	Prior period equity share
Production (kt)	250	197	64	**354**	**281**
Sales (kt)	270	238	66	**396**	**357**
Overburden (Bcm '000)	965	1,980	462	**2,377**	**2,913**
Coal sales revenue ($'000)	36,685[3]	31,351	9,588	**53,811**	**49,458**
Production costs ($'000)	(29,827)	(22,934)	(9,106)	**(43,401)**	**(38,025)**
June FY					
Production (kt)	938	806	303	**1,437**	**1,431**
Sales (kt)	1,088	768	330	**1,536**	**1,560**
Overburden (Bcm '000)	3,685	13,258	2,624	**13,637**	**13,347**
Coal sales revenue ($'000)	149,555[3]	100,019	48,167	**210,390**	**223,477**
Production costs ($'000)	(119,416)	(65,216)	(38,005)	**(158,016)**	

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 $8.3m for the full year, $1.4m for the June quarter.

CONSOLIDATED CASH MOVEMENTS

		Q1	Q2	Q3	Q4	YTD
	Opening cash	**26.0m**	**24.7m**	**21.7m**	**11.8m**	**26.0m**
Operating	EBITDA	10.6	16.2	20.7	12.4	59.9
	Working capital	6.5	(4.9)	(12.3)	12.5	1.8
	Corporation tax paid	(3.9)	(2.6)	(2.8)	(8.9)	(18.2)
Investing	Deferred consideration	(0.2)	(2.7)	(1.4)	(0.3)	(4.6)
	Feasibility studies (Crown Mountain)	(0.4)	-	(0.2)	(0.2)	(0.8)
	Property, plant and equipment	(1.1)	(1.4)	(2.2)	(1.9)	(6.6)
	Mining development including capitalised stripping	(6.4)	(4.3)	(6.5)	(3.3)	(20.5)
Financing	Finance lease repayments	(2.6)	(2.3)	(2.0)	(3.0)	(9.9)
	Repayment on corporate debt instruments	(0.3)	-	(1.9)	-	(2.2)
	Borrowings (repayments)/drawdown	(3.3)	(0.8)	(1.1)	1.3	(3.9)
	Financing costs	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)
	Closing cash	**24.7m**	**21.7m**	**11.8m**	**20.2m**	**20.2m**

Corporation tax

Balance was paid on FY20 corporate tax during Q4.

Borrowings repayments/drawdown

Tranche two of an advance on overburden stripping activities for the Waipuna West pit was received during the quarter.

Deferred consideration

Payments during the quarter related to the Canterbury and Takitimu (SID) mines. The final payment relating to the BT Mining acquisition will be made by November 2021, and the final payment relating to the Canterbury mine will occur in Q1 of FY22.

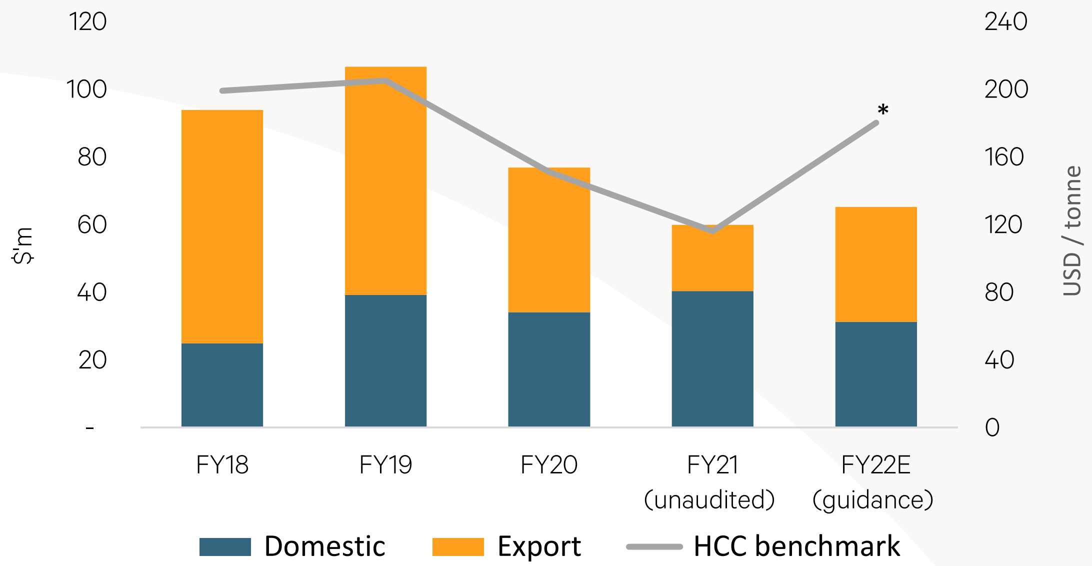
Mining development including capitalised stripping

Capitalised stripping decreased during the quarter due to a planned reduction in overburden removal at the Rotowaro mine.

Property, plant and equipment

A major overhaul of an excavator including hydraulics and undercarriage as well as other component replacements on key yellow goods was the main spend in Q4.

FULL YEAR CONSOLIDATED EBITDA



SID $10.0m (100 percent basis)

EBITDA for the year was $0.9m higher than guidance, due to:

- Favourable corporate overheads, due to a reduction in legal/court costs as a result of the Supreme Court's judgment in Bathurst's favour. This means Bathurst is now due a refund of previously paid expenses.
- Reduced operating costs at the Takitimu mine. The majority of which were permanent savings due to operational changes, with a portion relating to repairs and maintenance spend which is now planned for FY22.

NID $30.3m (65 percent equity basis)

EBITDA for the year was $2.3m higher than guidance, due to:

- Increased sales to an electricity generation customer. Coal was used as a replacement to hydro generated power due to low water levels.
- Cost savings at Maramarua from beneficial operating conditions and good machine performance, were offset by increased costs at Rotowaro, as increased maintenance on key yellow goods was required in Q4.

Export $19.6m (65 percent equity basis)

- EBITDA for the year exceeded guidance by $1.2m, despite the Hard Coking Coal Premium Low Vol ("HCC") benchmark not reaching USD 135/t in Q4, which was noted as unlikely in the previous quarterly announcement.
- The benchmark price reached a low of USD 107/t at the end of April. Although it subsequently increased over the remainder of the quarter, finishing the end of June at USD 189/t, the average benchmark for the quarter was only USD 117/t.
- Despite this, extra sales volumes and favourable realised hedging ($5.4m in total for FY21 on an equity basis) meant earnings guidance was achieved.
- As export pricing is priced against an average of the last 3 months of the HCC benchmark, the increase in price in late Q4 will flow through into Q1 FY22 sales, as reflected in our FY22 guidance.

* Forecast average HCC benchmark pricing for FY22. Further guidance information provider overleaf.

FY22 EBITDA GUIDANCE

	Metric	Export	NID	SID	BRL equity share
Sales	kt	1,083	678	261	1,406
EBITDA	NZD	$52.3m	$37.6m	$6.7m	$65.2m

Export EBITDA equity share $34.0m ($19.6m FY21)

Earnings are forecast to increase significantly for the export segment. Key drivers:

- An uplift in the forecast HCC benchmark pricing to an average USD 180/t for the 2022 financial year.
- Movements in FX are forecast to have a negative impact year-on-year. The FY22 assumption is an average of 0.74 NZD/USD, compared to 0.70 NZD/USD for FY21.
- Sales mix has also shifted, with two industrial coal boats included in FY22 volumes (nil in FY21).
- There are no underlying changes forecast for cost per tonne.
- Demand from our customer base remains strong as our product remains a critical component of their coke blend.

NID EBITDA equity share $24.5m ($30.3m FY21)

The decrease in EBITDA for the NID segment is due to:

- A decrease in sales volumes of 90kt. A key contract with an electricity generation customer had a planned step down in sales volumes. In addition, sales to this same customer exceeded contracted volumes in FY21.
- This is partly offset by a small increase in average price received due to PPI increases in contracts.
- There is also an underlying decrease in cost per tonne, reflecting that Rotowaro is moving closer to the end of its life of mine cycle. The strip ratio has decreased significantly which means coal is much easier and less costly to access, and there are less costs involved in maintaining operations and equipment due to lower stripping levels.
- Sales volumes continue to align with the life of mine plans for each site.

SID EBITDA $6.7m ($10.0m FY21)

- Earnings are budgeted to decrease by $3.3m year-on-year.
- This is due to the closure of the Canterbury mine in June 2021, which contributed $3m EBITDA in FY21 (nil in FY22).
- Sales for the Takitimu mine align with its life of mine plan.

Export market outlook

- The HCC benchmark has increased significantly over the last few months, from a low of USD 107/t at the end of April, surpassing USD 200/t early July.
- This recovery is seen as a long-awaited market correction. Despite the disruptions from the Chinese import ban on Australian coal, and the COVID-19 pandemic, fundamental market supply has remained steady, and demand had increased.
- 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 good demand for coking coal.
- As we see government driven expenditure and inventory levels become closer to capacity, it is expected that there will be a slight softening in steel demand, which will bring the HCC benchmark back to the long-term market consensus of USD 160/t.

OPERATIONS REVIEW

Export (Stockton) (65%)

There were seven shipments in the June quarter, with sales of 270kt which were 12kt above forecast. Average price per tonne ("/t") excluding hedging was NZD $131/t, NZD $12/t lower than Q3. This reflects a drop in the average benchmark price from USD $122/t for Q3 to USD $117/t for Q4.

Overburden removal was again in Q4 ahead of forecast as the focus continues on the Millerton and Cypress pits, taking advantage of favourable conditions. Production levels were also higher than plan in line with an increase in sales.

FOB costs were adverse to forecast, as increased third party coal purchases were sourced due to changes in the timing of the shipping schedule, and rail costs rise at a higher cost per tonne due to increasing fuel rates.

To reduce sales price exposure, 242kt of sales are hedged at an effective average price of NZD $211 per tonne.

NID (65%)

Rotowaro

The overburden deficit for the year reduced in Q4, taking advantage of favourable weather conditions and good machine availability. FY22 volumes have included the overall annual shortfall to ensure FY22 sales volumes can be met.

Sales were up 20% in Q4 due to increased demand from an electricity generation customer, reflecting low water levels that impacted hydro generated power. In contrast, production levels were less than planned, as tonnes were drawn from the stockpile as these were higher than forecast at the beginning Q4, as an expected drawdown in Q3 did not occur.

Cash costs were adverse to budget for the quarter, as previously delayed repairs and maintenance works on key yellow goods was completed.

Maramarua

Sales were 21% higher than forecast due to sales to the same electricity generation customer that sourced more coal from Rotowaro. Production levels increased in line with the increase in sales as well as extra tonnes to build back up stockpiles due to a draw down in Q3.

Overburden removal was less than forecast, as a significant surplus of stripping was achieved in the first three quarters. The mine is well placed to meet sales in FY22.

A planned catch up on delayed repairs and maintenance was completed during the quarter, meaning cash costs were adverse to forecast.

SID (100%)

Takitimu

As in Q3, 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 11% less than forecast. The tonnes were supplied by the Canterbury mine instead, so that there was no coal left unmined in the pit when Canterbury mine ceased operating at the end of June.

Cash costs were favourable for the quarter. Repairs and maintenance that had been budgeted as OPEX, were determined to be CAPEX. The closure of the local third party coal washing plant meant budgeted coal washing costs were not incurred. Greater care was taken when mining to reduce contamination and subsequent need to wash the coal.

Canterbury

Sales, overburden volumes and production tonnes were all higher than budget by 33%. As this was Canterbury's final month of operating, a push was made to mine most of the remaining coal in the pit. This meant 6kt of sales forecast to be met by Takitimu were met by Canterbury instead.

Costs were unfavourable to forecast, due to all redundancy costs being recognised in June. The forecast had these costs being captured in the actual month that an employees' contract finished, which was staggered from June through FY22 as the mine is rehabilitated.

Exploration

$196k consolidated spend across projects for Q4. Key works consisted of:

- Drilling works at the New Brighton permit (Takitimu mine) to support resource development.
- Prefeasibility works for the Sullivan permit (Buller project), including a model review, initial mine design, and pit optimization.
- Preparation for Waipuna West extension (Rotowaro mine) drilling to commence later in the year (nil spend).

Development

$2.3m consolidated spend across all projects for Q4, with key spend on:

- $1.8m on capitalised stripping from operating mine pits.
- Construction work on the new water treatment sump and dosing plant at Stockton.
- Fines coal storage project at Stockton.
- Assessment of environmental effects 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 ($0.8m NZD) are a non-callable loan.

CORPORATE

Litigation

The Supreme Court of New Zealand on 14 July 2021 ruled that it upheld 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"). As a result of this judgment, payment of the performance payment can be indefinitely deferred, for so long as relevant royalties continue to be paid (even if that sum is zero). A reversal of the previously accrued principal and interest will be reflected in the 30 June 2021 annual financial statements, which will further strengthen Bathurst's balance sheet.

Another claim served by L&M in May 2020 that alleges Change in Control events, continues to progress through the arbitration process. Significantly, the Supreme Court's ruling potentially has implications on this claim as well. It points to the conclusion that even if it is found that the second performance payment has been triggered, that payment can be indefinitely deferred, for so long as relevant royalties continue to be paid (even if that sum is zero). Notwithstanding this, analysis confirms Bathurst's position that the claim is vexatious and has no merit. A substantive hearing is set down for November 2021.

Cessation of performance rights

Performance rights issued to executive directors in 2018 were cancelled, as the required total shareholder return compound annual growth rate for the period 1 July 2018 to 30 June 2021 was not met.

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

Richard Tacon, CEO

Investor relations

email: investor.relations@bathurst.co.nz

Media relations

email: media.relations@bathurst.co.nz

At 27 July 2021:

Share price: AU 70 cents
Issued Capital: 171m ordinary shares
Market capitalisation: AUD $119.7m

Bathurst Resources Limited

Level 12, 1 Willeston Street
Wellington 6011 New Zealand
Tel: +64 4 499 6830

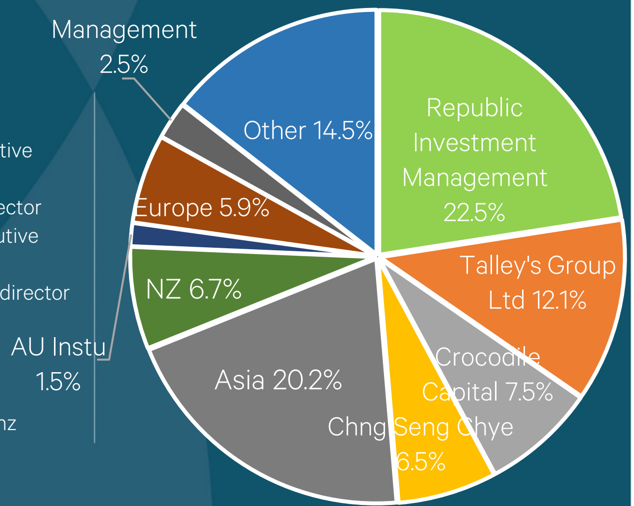
Chief Executive Officer
Richard Tacon

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
email: wellington@bathurst.co.nz

Company Secretary
Bill Lyne
email: bill.lyne@bathurst.co.nz



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