

Quarterly Report

December 2020 quarter

Key items

- Consolidated EBITDA¹ full year guidance downgrade to \$55.4m from \$62.1m announced in the previous quarter, as export pricing has taken longer than expected to recover.
- The domestic business (incl. corporate overheads) contributed \$20.9m to EBITDA for H1FY21, favourable against budget and the prior corresponding period.
- The export segment contributed \$5.8m to EBITDA for the first six months, lower than budget and levels seen in prior periods, as pricing in the first six months was impacted by COVID-19 and China's ban on Australian coking coal exports.
- Debt instruments maturing on 1 February have been refinanced, with a new AUD \$10m convertible bond instrument to be issued on the same date.
- Consolidated cash at 31 December \$21.7m.

CEO'S COMMENTS

Directors are pleased to report an unaudited EBITDA for the first half of FY21 of \$26.7m. Whilst reflecting a strong operational performance given the challenges of the period, this result was impacted by a lower contribution from our export segment as it continued to operate in a challenging pricing environment. The impacts from the COVID-19 pandemic and the Australian coal import restrictions into China have continued to put pressure on the export pricing market, which we are successfully navigating our way through as our domestic business continues to be largely unaffected.

We have revised our EBITDA guidance to \$55.4m from \$62.1m announced in the previous quarterly. This reflects a -\$5.9m reduction in our export segment EBITDA to \$18.4m, with Q2 earnings lower as the expected recovery in export pricing is only now starting to be realised, with prices rising approximately 50 percent in January. The new forecast also recognises the impacts of a higher NZD:USD exchange rate. We are also reporting a -\$0.8m reduction in our domestic segment EBITDA to \$37.0m, which reflects a small increase in costs. Further information is provided on page 5.

We have been successful in arranging new convertible bonds which will be issued on 1 February to refinance the maturing USD subordinated bonds and NZD convertible notes. The new bonds will mature on 1 August 2022, at which point we expect the export pricing to have fully recovered, as well as resolution of current legal claims brought against Bathurst by L&M Coal Holdings Ltd. Further detail on the new debt instrument has been provided in a separate release document, available on the ASX and on our website.

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. Notable updates during the quarter include:

- Commencement of a programme to review our incident reporting and notification system, including completing an upgrade of incident management software. The aim is to streamline the system for user experience and to enhance reporting outcomes by the end of FY21.
- Water infrastructure audits were conducted to identify areas for improvement. Key focuses were on minimising risk from an unplanned discharge from infrastructure asset failure, as well as identifying where water savings can be made to increase efficiency of use and recycling of water.
- There were three lost time injuries for the quarter. At the Rotowaro mine, a mechanic injured his back lifting a water container and a second mechanic injured their knee during the relocation of an elevated work platform. At the Stockton mine, a fixed plant maintainer sustained a finger injury while replacing a grate in a walkway.

PERFORMANCE METRICS

December quarter	Export 100%	NID² 100%	SID² 100%	BRL equity share	Prior period equity share
Production (kt)	198	240	97	382	393
Sales (kt)	254	174	110	388	448
Overburden (Bcm '000)	972	3,726	777	3,831	3,935
Coal sales revenue (\$'000)	34,018 ³	22,872	15,978	52,957	60,307
Production costs (\$'000)	(29,334)	(14,215)	(10,061)	(38,368)	

December YTD

Production (kt)	428	423	158	711	749
Sales (kt)	529	329	175	733	856
Overburden (Bcm '000)	1,825	7,051	1,488	7,257	6,589
Coal sales revenue (\$'000)	68,588 ³	42,554	25,546	97,788	129,300
Production costs (\$'000)	(58,757)	(25,764)	(17,287)	(72,226)	

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 \$4.0m for the six months, \$1.3m for the December quarter.

CONSOLIDATED CASH MOVEMENTS

		Q1	Q2	H1
	Opening cash	26.0m	24.7m	26.0m
Operating	EBITDA	10.6	16.1	26.7
	Working capital	6.5	(4.8)	1.7
	Corporation tax paid	(3.9)	(2.6)	(6.5)
Investing	Deferred consideration	(0.2)	(2.7)	(2.9)
	Feasibility studies (Crown Mountain)	(0.4)	-	(0.4)
	Property, plant and equipment	(1.1)	(1.4)	(2.5)
	Mining development including capitalised stripping	(6.4)	(4.3)	(10.7)
Financing	Finance lease repayments	(2.8)	(2.5)	(5.3)
	Interest on corporate debt instruments	(0.3)	-	(0.3)
	Borrowings repayments plus interest	(3.3)	(0.8)	(4.1)
	Closing cash	24.7m	21.7m	21.7m

EBITDA

Domestic

- Earnings for the domestic business (including corporate overhead expenses) increased in Q2 as dairy production increased over the summer months.
- The segment contributed \$20.9m for H1FY21 which was marginally favourable to both budget and the comparative financial period.

Export

- The export segment's EBITDA was consistent to the previous quarter, contributing \$5.8m EBITDA in total for H1, which is significantly lower than that of the comparative financial period.
- The COVID-19 pandemic continues to impact coal production and logistics, and the Chinese ban on Australian coking coal is also having its effects.
- The average price received dropped from NZD \$175 per tonne in H1 of FY20 to NZD \$130 per tonne (including realised hedging income) in H1 of FY21.
- Sales volumes for Q2 were also impacted by a vessel's laycan moving into January.

Mining development

The majority of the activity 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.

Deferred consideration

Deferred consideration was paid in Q2 relating to the purchase of the BT Mining assets. There are two more such payments, with the final payment relating to this purchase due in Q2 of FY22.

FY21 EBITDA GUIDANCE

	Metric	Export	NID	SID	BRL equity share
Sales	kt	1,042	717	345	1,489
EBITDA	NZD	\$28.4m	\$43.1m	\$9.0m	\$55.4m

Key export guidance assumptions

Forecast export sales pricing is indicatively based on an average of 70% of the Hard Coking Coal Premium Low Vol ("HCC") benchmark of USD \$135 for Q3/Q4, at \$0.71 NZD:USD across all sales types including thermal coal sales.

Export market commentary

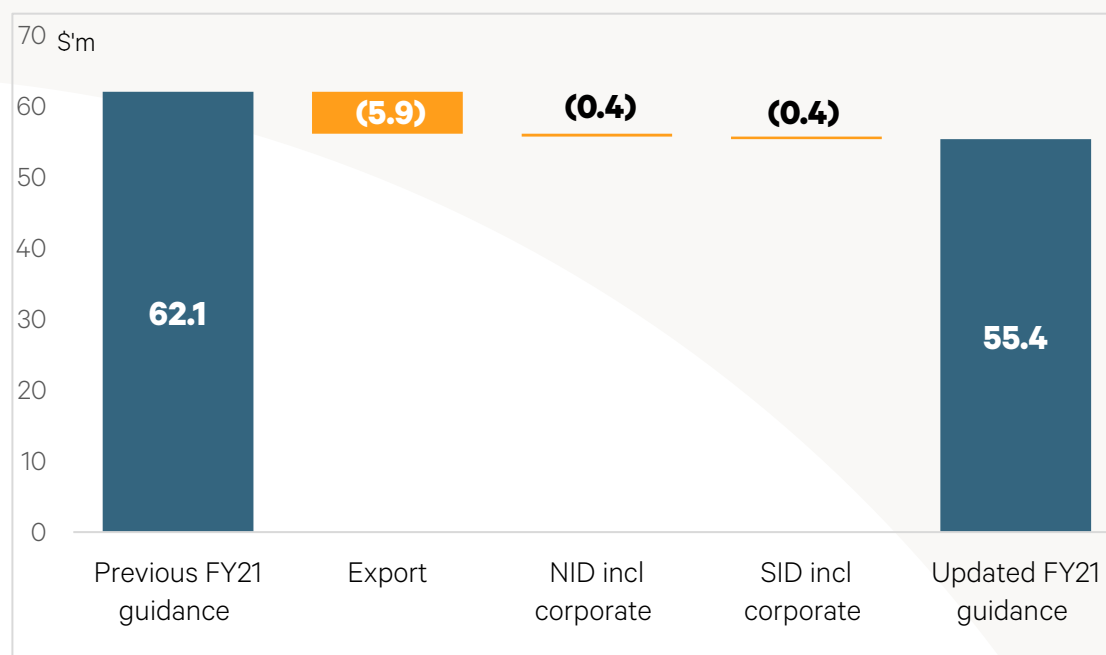
December quarter

- Chinese steel mills came under increasing pressure with a met coal supply crunch due to the ban on Australian coking coal imports into China, which led to high import prices from alternative suppliers in Canada & the US that are priced against the China CFR.
- With Atlantic basin suppliers (Canada & the US) focused on supplying China, demand from European buyers and other recovering markets in India and Japan increased as they sought the relatively cheaper Australian coking coal that is priced against the HCC benchmark. The increased availability of Australian coking coal to a large extent balanced against the increased demand, leading to relatively flat HCC benchmark pricing in the quarter.
- COVID-19 also continued to impact coal production and logistics, currently limiting supply from Mongolia & Shaanxi.
- In addition, seaborne iron ore prices are very high, leading Chinese authorities to seek to increase the supply from Chinese controlled ore sources overseas.

Outlook

- Chinese steel making will remain strong, absorbing iron ore and non-Australian coking coals.
- Market recoveries in Europe, India and Japan are driving good demand for coking coal, which may help reduce the deflationary impact on the HCC benchmark from the oversupply from Australia (due to the Chinese coal ban).
- China's closure of outdated capacity has led to tight supply of met coke. This factor is driving good demand from our Japanese coke making customers, although our ability to supply is constrained.
- Uncertainty will remain however in the short to medium term as the pandemic shows no signs of slowing and is now forcing countries back into strict lockdowns.
- It is unknown when (or if) China will drop its ban on Australian coking coal imports, but many analysts are still predicting the end of the coming quarter.

REVISED FY21 EBITDA GUIDANCE



Export

- The majority of the decrease in export EBITDA was realised in Q2 as the recovery in pricing did not occur until January 2021, with an actual HCC benchmark average for the quarter of USD \$116/tonne versus forecast USD \$124/tonne. Hedging in place has helped to partially offset this.
- A change in the NZD:USD FX rate forecast for H2 of FY21, from 0.64 to 0.71 as a result of the recent FX movements has also had an impact as this translates to lower NZD sales revenue.
- This is partially balanced by increased sales tonnes from an extra shipment of semi-soft coking coal. However the overall sales mix for the financial year has changed as a hard coking coal shipment originally scheduled for June has moved into July, and been replaced with semi-hard and semi-soft coking coal.

NID including BT Mining corporate overhead costs

- Forecast increased repairs and maintenance costs at the Rotowaro mine in H2 are the main driver of the unfavourable movement in EBITDA for the NID segment. Machine availability issues increased again in Q2, so increased funds have been budgeted to address these issues.
- Forecast cost savings at a corporate overhead cost level have partially offset the above.

SID including BRL corporate overhead costs

- The reduction in SID EBITDA is due to increased corporate expenditure, mainly on L&M related legal issues.

OPERATIONS REVIEW

Export (Stockton) (65%)

There were six shipments in the December quarter, with sales of 254kt which was below budget as a 37kt ship moved into January. Average price per tonne was NZD \$129, NZD \$14 higher than Q1.

Overburden removal again came in ahead of budget as the focus continues on the Millerton pit. High rainfall and difficult mining conditions due to the historic mine fires and complex topography hindered production levels. Port stockpiles were used to maintain committed sales volumes and production levels are scheduled to increase in Q3/4 in the re-forecast.

The operations teams have continued to work on reduced hours during the period of lower pricing. Improvements to large excavator and rigid truck availabilities have been achieved by re-balancing maintenance rosters with operations rosters.

At 31 December, to reduce sales price exposure, 158kt of sales were hedged at an effective average price of NZD \$215 per tonne.

NID (65%)

Rotowaro

Overburden removal continued to be a challenge, as mechanical availability was again an issue later in the quarter with higher than budgeted machine downtime. Increased repairs and maintenance spend in H2 is planned to help address these issues.

Sales levels achieved budget for the quarter and YTD. Production levels were slightly higher than originally budgeted to ensure stockpile levels comply with customer contracts, due to a shortfall back in Q4 of FY20.

Cash costs for the quarter and YTD came in marginally higher than budget. Fuel savings continued however these were offset by the increased plant hire and maintenance costs required due to the machine availability issues.

Maramarua

Sales and production levels returned to normal and achieved budget for the quarter, after a reduction in sales and production volumes against budget in Q1.

Overburden removal volumes also achieved the mine plan's targets, and came in favourable YTD due to beneficial weather patterns and machine availability in Q1.

Cash costs came in under budget YTD, benefiting from deferred maintenance costs due to condition monitoring in lieu of component replacement, and lower fuel prices.

SID (100%)

Takitimu

Wet weather hampered production at times, however managed to achieve only marginally less than budget, and with some sales being met by Canterbury to reduce a stockpile. The mine is in a good position to meet sales commitments for Q3. Conditions were good for overburden removal during the quarter, coming in higher than budget and recouping the shortfalls from Q1.

Sales were slightly behind budget for the quarter as some supply was met by Canterbury instead, and the expected catch up from Q1 did not eventuate. However a higher average price received due to good coal quality and increased contract pricing meant sales revenue exceeded budget.

Cash costs were favourable for the quarter and YTD due to timing on repairs and maintenance spend.

Canterbury

Sales returned to normal levels this quarter, coming in slightly above budget as some sales were supplied by Canterbury instead of Takitimu. Overburden removal levels have slowed due to timing issues with consenting. Production levels were marginally less than budget.

Cost savings continued from the review of labour requirements.

Exploration

\$13k consolidated spend across projects for Q2.

Buller Project

Kiwi and snail surveys were conducted at Sullivan, whilst conceptual mine schedules continued. The wildlife permit for Deep Creek exploration was approved by the Department of Conservation.

Development

\$4.3m consolidated spend across all projects for Q2, 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.
- Fines coal storage project at Stockton.
- Drilling completed at Maramarua with favourable results. Detailed mine planning is well advanced on the M1 pit.
- Consenting costs for Canterbury.

Crown Mountain

The environmental application progressed during the quarter, furthering the write up of existing conditions and effects assessments. It is expected to be lodged in the June quarter 2021, with delays from the impact of COVID-19 on the ability to engage with key stakeholders.

Our equity share at 31 December remained 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 on 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 was pleased with how the hearing proceeded, and continue to expect a judgment from the Supreme Court in early to mid-2021.

Separately, on 4 May 2020 L&M served notice of arbitration on Bathurst claiming that the second performance payment of USD \$40m under the Agreement of Sale and Purchase entered into by the parties 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. L&M 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.

On 17 November 2020 Bathurst announced that the matter was formally in arbitration. The parties have agreed to the appointment of Robert Fisher QC as arbitrator and a timetable for the arbitration has been issued. This saw L&M providing the legal basis for its claim and supporting documentation in December 2020, and following discovery and other interlocutory matters, a substantive hearing is set down for November 2021.

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

Russell Middleton, Director



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At 19 January 2021:

Share price: AU 5.8 cents

Issued Capital: 1,709m ordinary shares

Market capitalisation: AUD \$99.2m

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