

RESULTS ANNOUNCEMENT

26 February 2021: Bathurst Resources Limited 31 December 2020 half year result

H1 PROFIT ACHIEVED DESPITE TIGHTENING MARGINS ON EXPORT SALES

Bathurst Resources Limited ("BRL" or "Company") (ASX: BRL) is pleased to announce its half year results for the six months ended 31 December 2020. The financial results for the first six months of FY21 reflect consistent earnings from the domestic segment, and reduced earnings from the export segment.

Financial measures (NZD)	H1 FY21 \$m	H1 FY20 \$m
Revenue ¹	97.8	129.3
EBITDA ²	26.8	41.9
Net profit after tax	3.7	14.5
Cash	21.7	33.4

Whilst all mines achieved a strong operational performance and demand has remained stable, the export business has continued to face significant challenges. CEO Richard Tacon said that "The COVID-19 pandemic and more recently China's ban on Australian coking coal imports have sustained the downward pressure on export pricing, which dropped to an average hard coking coal benchmark of USD \$113/tonne ("t") during the first six months of FY21, compared to USD \$159/t in the previous period.

We had allowed for a further decrease in export pricing. However as noted in the recent quarterly activities update, we have had to revise our full year EBITDA guidance from \$62.1m to \$55.4m as the expected pricing recovery is only now starting to be realised. With the pricing benchmark reaching a high of USD \$161/tonne in recent weeks, we are optimistic that the expected earnings increase in the second half will eventuate."

The Company still expects to receive a judgment in the next few months from the Supreme Court on its appeal of the High Court's ruling on the case brought against BRL by L&M Coal Holdings Ltd. "We remain fully focused on courses of action in the event of an unfavourable outcome, and look forward to the business being able to move forward with this matter settled", Mr Tacon said.

Events after the reporting period included the directors' decision to close the Canterbury Coal mine, where the timeframes and cost of regulatory processes outweighed the commercial returns of continuing to operate the mine, with sales to cease in June 2021. The mine is BRL's smallest operation, producing ≈100kt of low sulphur coal primarily for the local dairy industry, and expected to contribute FY21 EBITDA of \$2m.

¹Includes realised FX and coal pricing hedges on export sales. Unrealised movements in coal pricing and FX hedging go through other comprehensive income.

²Earnings before net finance costs (including interest), tax, depreciation, amortisation, impairment, non-cash movements on deferred consideration and rehabilitation provisions.

“Looking forward, we expect margins to improve on our export segment, with the domestic business continuing to tick over, albeit as we support our Canterbury staff via redeployment and assistance in finding new employment,” Mr Tacon said.

OPERATIONS

BRL is New Zealand’s leading coal producer, engaging in the development and production of coking and thermal coal in New Zealand.

Export operations

Measure	Export H1 FY21	Export H1 FY20
Production (kt) (100% basis)	428	515
Sales (kt) (100% basis)	529	637
Overburden (Bcm 000) (100% basis)	1,825	2,105
Revenue incl. realised hedging (\$'000)	44,582	72,361
EBITDA (\$'000)	6,170	23,116

Production and sales	Reduced during the first six months due to lower export pricing.
Revenue	- Fallen primarily due to a drop in the hard coking coal benchmark year-on-year. This reduced from an average of USD \$159/t in the first six months of FY20, to USD \$113/t in the first six months of the current financial year. - FX and coal price hedging have provided an additional \$2.6m in realised revenue. - Movements in the NZD:USD exchange rate is also having its impact, as the New Zealand dollar has strengthened against the US dollar. - Overall, the average price per tonne received dropped to NZD \$130/t for H1 FY21 from NZD \$175/t in the prior comparative period.
Earnings	- Decreased due to lower sales pricing. - Cost savings have reduced the cost per production tonne year-on-year, helping to offset the reduction in average price received per tonne. Savings on fuel costs, a move to permanent instead of contracted labour, and a reduction in maintenance spend on major equipment have all contributed.

Domestic operations

Measure	Domestic H1 FY21	Domestic H1 FY20
Production (kt) (100% basis)	581	554
Sales (kt) (100% basis)	504	581
Overburden (Bcm 000) (100% basis)	8,539	7,105
Revenue (\$'000)	53,207	56,939
EBITDA (\$'000)	26,864	25,891

Commentary:

Production	Modifications to two key North Island domestic ("NID") customer contracts require the mine to carry higher levels of stockpiles causing greater production levels than sales volumes in the current period. NID is also scheduling lower production volumes in the coming months due to mine pit sequencing which requires an increased stockpile in order to meet coal sales.
Sales	Decreased due to NID re-negotiated contracted sales volumes, which sees sales move out to the end of a contract.
Revenue	Declined due to the reduction in NID sales volumes; however, this was partially offset by an increase in the average price per tonne on key NID and South Island domestic ("SID") contracts, and a shift of sales volumes to higher margin customers in NID.
Earnings	Despite a drop in revenue, earnings have increased. SID EBITDA improved \$2.7m year-on-year, benefiting from increased revenue, lower fuel costs, labour savings after a review of personnel requirements, and reduction in coal purchases as coal quality in the Takitimu pit has improved. NID EBITDA retracted \$1.8m. Revenue was \$4m less year-on-year, however this was partially offset by cost savings from lower fuel costs and equipment hire.

Corporate

Corporate segment costs included in the total group consolidated EBITDA decreased year-on-year, \$6.3m H1 FY21 versus \$7.1m in H1 FY20.

FINANCIAL RESULTS

Net profit after tax decreased to \$3.7m from \$14.5m in the prior period. Key movements are:

Equity share of joint venture BT Mining profit	-\$12.5m decrease from export and NID operations. Driven by reduction in export earnings from lower export pricing received on sales.
BRL gross operating profit	+\$1.6m increase, with an uplift in revenue due to pricing increases, and reduction in operating costs (fuel, labour, and third-party coal purchases).

Impairment/fair value movement in deferred consideration	-\$8.1m write-off of Canterbury assets net of reduction in deferred consideration, due to the announcement that the Canterbury mine will cease operating at the end of the financial year.
Finance costs	+\$0.5m decrease in interest expense from partial repayment of USD bonds.
Finance income	+\$7.5m increase, due to favourable movement in NZD:USD exchange rate, which reduced borrowings and deferred consideration that are denominated in USD (refer note 6 in the interim financial statements).

KEY GROWTH PROJECTS

Project location	Project description
British Columbia, Canada	Crown Mountain project, coking coal joint venture, current equity holding 22.2 percent of the project. The environmental application is expected to be lodged in the June 2021 quarter.
South Island, New Zealand	Export coking coal project encompassing BRL and BT Mining permits on the Denniston plateau. Work progressed to assess converting resources to reserves, including infrastructure design and conceptual mine schedules of the Sullivan permit. The wildlife permit for the Deep Creek exploration permit has been approved.
North Island, New Zealand	Rotowaro North extension project to the Rotowaro mine. Working towards completion of the exploration mining permit application.

CASH FLOWS

		2020	2019
	Opening cash 30 June	26.0m	38.5m
Operating	EBITDA	26.8	41.9
	Working capital	1.6	3.8
	Tax	(6.5)	(9.3)
Investing	Deferred consideration	(2.9)	(5.0)
	Crown Mountain	(0.4)	(4.3)
	PPE	(2.5)	(5.6)
	Mining assets including capitalised stripping	(10.7)	(15.9)
Financing	Finance leases	(5.3)	(4.8)
	Corporate borrowings interest repayments	(0.3)	(0.9)
	Dividend	-	(5.5)
	Borrowings (repayment)/drawdown net of interest	(4.1)	0.5
	Closing cash 31 December	21.7m	33.4m

Mining assets

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.

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.

Borrowings drawdown net of interest

A partial repayment of funding received in advance on stripping activities for the Waipuna West pit at the Rotowaro, North Island domestic mine.

CORPORATE

New AUD convertible bonds

After the reporting period, AUD convertible bonds were issued on 1 February to refinance the USD subordinated bonds and NZD convertible notes that matured on the same date. AUD \$10m in aggregate was issued, with a maturity date of 1 August 2022. Further details on the bonds are in note 9 of the interim financial statements.

LITIGATION

Deferred consideration

The liability recognised in the 30 June 2020 financial statements regarding deferred consideration payable to L&M Coal Holdings Ltd ("L&M") has been retained. This matter was appealed in the Supreme Court of New Zealand in October 2020, and directors expect a judgment from the Supreme Court in the next few months. Legal advisers maintain the position that BRL has a reasonable prospect of success.

Further information is in note 1 and 6 of the interim financial statements.

Contingent liabilities

The allegation of a change in control event by L&M has again been disclosed as a contingent liability in note 8 of the interim financial statements, with the matter now formally in arbitration and a substantive hearing set down for November 2021. Legal advisers maintain the position that it is more than likely that L&M would be unsuccessful.

This release was authorised for issue by the board of directors.

Bathurst Resources Limited

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

Chief Executive Officer

Richard Tacon

Directors

Toko Kapea – Non-executive chairman
Richard Tacon – Executive director
Peter Westerhuis – Non-executive director
Russell Middleton – Executive director

Substantial holders at 31 December 2020

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

ASX Code: BRL

Website and email

www.bathurst.co.nz
E: wellington@bathurst.co.nz

Company Secretary

Bill Lyne
E: bill.lyne@bathurst.co.nz

Investor relations

E: investor.relations@bathurst.co.nz

Media relations

E: media.relations@bathurst.co.nz