

## BATHURST RELEASES RECORD RESULTS FOR FY18

The Directors of Bathurst Resources Limited are delighted to release the first set of full year accounts that incorporate 10 months of results from their joint venture BT Mining.

### KEY HIGHLIGHTS

- ✓ EBITDA\* \$93.7 million (consolidated\*\*)
- ✓ Operating Profit \$45.0 million
- ✓ Cash \$25.2 million (consolidated)
- ✓ Coal sales revenue for 100% Bathurst operations up 15%
- ✓ On-market share buyback scheme approved

### FINANCIAL RESULTS

FY18 saw Bathurst capitalise on its drive for increased revenue and cost control management on its 100% owned operations, resulting in its domestic operating segment EBITDA increasing 5% year-on-year (“YOY”). Coal sales increases were achieved through new sales contracts which have continued to support the extension of the Canterbury mine.

Consolidated EBITDA of \$93.7 million includes EBITDA from BT Mining of \$85.3 million. BT Mining has exceeded guidance for its first 10 months of operations, benefiting from strong export coal prices and rationalisations in corporate overhead spend.

Operating profit increased \$44.7 million to a record \$45.0 million. This primarily reflects the uplift in gross profit and recognition of \$43.0 million profit share from BT Mining.

Operating cash flows increased 132% YOY from the receipt of BT Mining dividend of \$13.0 million, partially offset by increased corporate spend from transaction costs on BT Mining and Bathurst’s newest joint venture, NWP Coal Canada Limited.

Underlying profit (profit adjusted for a number of one off items) for the year was \$43.4 million, up \$42.3 million YOY.

\* Earnings before net finance costs (including interest), tax, depreciation, amortisation, impairment, fair value movement on deferred consideration, and fair value movement on derivatives and borrowings

\*\* Consolidated equals 100% of Bathurst and 65% of BT Mining

## Underlying profit reconciled to consolidated EBITDA

	FY 2018	FY 2017
	000's	000's
<b>Underlying Profit after Tax</b>	<b>43,418</b>	<b>1,132</b>
<i>Add back</i>		
Transaction costs on JV acquisitions & legal fees on L&M related court proceedings	(2,353)	(1,304)
Finance Costs on Debt Instruments	(3,396)	(2,965)
Fair value movement on derivatives	(27,687)	(12,530)
Fair value movement on borrowings	(4,434)	-
<b>Statutory profit/(loss) after tax</b>	<b>5,548</b>	<b>(15,667)</b>
<i>Add back</i>		
<i>BT Mining profit share</i>	(42,961)	775
Depreciation and amortisation	4,885	10,632
Impairment	1,630	-
Net finance costs	7,338	3,449
Fair value movement on derivatives	27,687	12,530
Fair value movement on borrowings	4,434	-
Fair value movement on deferred consideration	(102)	(1,749)
<b>EBITDA</b>	<b>8,459</b>	<b>9,970</b>
Plus: 65% share of BT Mining EBITDA	85,274	-
<b>Consolidated EBITDA</b>	<b>93,733</b>	<b>9,970</b>

### Fair value movement on derivatives and borrowings

Fair value movement on derivatives and borrowings are one-off, non-cash accounting adjustments. They reflect the fair value movements relating to the Company's convertible instruments that were issued to fund the investment in BT Mining.

The fair value movements arose due to the Convertible Instruments originally being denominated in AUD. The remaining instruments were modified at 31 December 2017 and are now denominated in NZD. The other side of these fair value movements now sits in Debt Instruments – equity component in the Equity section of Bathurst's Balance Sheet. If all remaining Convertible Instruments were to be repaid (and not converted to shares by the note holders), the value sitting in Debt Instruments – equity component would reverse through the Income Statement as a fair value gain.

For further information, refer to note 1 Y in the 30 June 2018 Financial Statements.

## CAPITAL INITIATIVE

### *Dividend*

The Directors considered the issue of a dividend very carefully and have decided not to proceed with a dividend at this stage, given the adverse judgement on civil proceedings brought against Bathurst by L&M Coal Holdings Limited (“L&M”). The cash will be held in reserve and will be distributed later once more certainty is gained post appeal.

### *Share buy back*

The Directors are pleased to introduce a share buyback offer that they believe are in the interests of all shareholders and will be accretive in the overall value of Bathurst’s shares.

A summary of the key details relating to Bathurst’s on-market share buyback scheme are as follows:

<b>Number of shares</b>	<b>Up to 75 million</b>
<b>Declaration date</b>	28 August 2018
<b>Time frame offer open for</b>	12 months from declaration date
<b>Payment date</b>	Any date at which the Company opts to buyback shares
<b>Value paid per share</b>	No more than 5% above average closing market price from 5 days of trading prior to purchase date
<b>Total potential payment</b>	AUD \$11.25 million based on average recent share price of AUD 15 cents

## OPERATING HIGHLIGHTS

The Group including BT Mining at 100% produced 2.1mT in FY18 (1.5mT equity share). Bathurst 100% owned domestic operations increased 13% to 374kT, with the balance contributed by Bathurst’s 65% owned operations via its joint venture BT Mining.

Sales including BT Mining at 100% were 2.0mT for the year (1.4mT equity share). Bathurst 100% owned domestic operations increased 21% to 370kT.

### *South Island Domestic operations (100% owned) - \$16.7m EBITDA for FY18*

- Canterbury increased production 35% and overburden moved doubled YOY, as operations at the mine continue to expand to meet increased sales tonnes.
- Takitimu saw an increase in overburden of 26% as the Black Diamond mine pit continues to be developed, with ROM production increasing 7% YOY.

FY19 budget assumes business is stable with production, sales and overburden levels consistent with FY18.

### *North Island Domestic operations (65% owned) - \$34.3m EBITDA for FY18*

- Rotowaro exceeded production and sales volumes against budget for the year, with overburden moved starting to benefit from a stripping contractor towards the latter part of the financial year.
- Maramarua was impacted by a known fault found to be lying at a flatter angle than modelled. This along with inclement weather meant the mine was suspended from normal operations for a period of time, returning to a steady state during the last quarter.

The FY19 budget assumes a steady state of operations.

### ***South Island Export operations (65% owned) - \$109.1m EBITDA for FY18***

The Stockton mine surpassed budget for the year against sales and production volumes as well as waste moved, exceeding management's expectations and recording a total \$218.5 million (including third party sales) in revenue for the year. FY19 budget assumes modest increases in production and sales volumes, with a drop in EBITDA to \$62m - \$73m due to lowering expectations on export coal prices.

### **NEW JOINT VENTURE WITH JAMESON RESOURCES LIMITED**

As announced on the 29 June 2018, Bathurst entered into a new joint venture with Jameson Resources Limited ("Jameson"), with the close of the deal occurring on 12 July 2018. Subsequent to 30 June 2018, Bathurst invested CAD \$4 million for an 8% equitable stake in NWP Coal Canada Limited ("NWP"), a previously wholly owned Canadian subsidiary of Jameson.

The investment in NWP reflects a diversification of Bathurst's operating markets from being solely NZ based, and provides diversity of production into the export market that will complement current technical and marketing capabilities.

For further information, refer to note 30 in the 30 June 2018 Financial Statements.

### **HEALTH, SAFETY AND ENVIRONMENT**

Significant effort in FY18 was focused on the health and safety transition plan for Bathurst's new sites at Stockton, Rotowaro and Maramarua. Risk management was a key focus, addressed via 38 days of principal hazard risk assessments and updating the site management plans. Another area of emphasis was the review of management system elements, including site training systems, worker engagement practices, change management and document control.

Two levels of risk management training and trainer assessor courses were completed across all operating sites to support the risk management and training improvement focus. All operations also updated their environment and community broad brush risk assessments and are now working to action their identified improvements.

Mine closure integration workshops were held during the year. Stage 2 will run in FY19 to develop site management plans for life of mine planning based on a company mine closure standard.

As previously reported, a discharge occurred at the Canterbury mine on 11 January 2018. The regional council (Environment Canterbury) has laid charges in respect of this incident in July 2018. Bathurst made an application to be placed in the council's alternative environmental justice system and this has been accepted.

Bathurst is disappointed to report that there was one lost time injury during FY18. The injury occurred at Huntly West mine in April during a historical infrastructure demolition task and constituted minor lacerations to head and shoulder and a soft tissue shoulder injury.

## LITIGATION

Bathurst received an unfavourable judgment from the High Court of New Zealand on civil proceedings brought against it by L&M, as announced to the market on the 20 August 2018. After considering the reasons for the decision and taking legal advice (including from senior counsel), the Company lodged an appeal to the Court of Appeal against this decision and is also seeking a stay of execution of the judgement. This matter is disclosed in note 29 (d) in the 30 June 2018 Financial Statements. Further updates will be provided as they arise.

On behalf of Bathurst Resources Limited.



Richard Tacon  
CEO

### **About Bathurst Resources Limited**

Bathurst is the largest coal company operating in New Zealand with over 2.2 million tonnes per annum of coal under management. More than 75% of the coal sold is used for steel making, both domestically and for export to Asian coke makers and steel mills. The remainder is sold to domestic users in the agricultural and energy sectors.

In September 2017, Bathurst took joint ownership of three mines from Solid Energy through its 65% joint venture BT Mining. The Bathurst Group of companies now employs almost 500 people in New Zealand.

The Bathurst operations are long life assets with extension potential for all operations beyond their current mine life. Bathurst is focussed on low cost, sustainable mining with a strong focus on the local communities and environmental management.