

# Quarterly Report

December 2023 quarter

## Key highlights

- First half consolidated EBITDA<sup>1</sup> \$28.2m.
- EBITDA guidance maintained at \$95m to \$105m.
- Consolidated cash including restricted deposits – \$129m.
- Purchase of Tenas coking coal project in British Columbia, Canada completed.

## CEO'S COMMENTS

In what is set to be a transformative year for Bathurst Resources with the increasing significance of the company's Canadian assets, we are pleased to announce that we are maintaining our full year EBITDA guidance of \$95m to \$105m. Whilst the first half consolidated EBITDA of \$28.2m is a reduction of \$55.0m from the first half in FY23, the decrease is largely driven by a reduction in the average price received per tonne on export sales, combined with a six week rail outage. We fully expect to recover the rail volumes by the end of the financial year.

The first half performance reflects challenging operational conditions across a number of our New Zealand projects, including at the Stockton and Rotowaro mines. A slip triggered by high levels of rainfall in October caused the closure of Tunnel #3 in the Buller Gorge on the rail route from the Stockton mine to Lyttleton port. Kiwirail issued a Force Majeure, and the repairs to the tunnel and rail line took six weeks to complete, with rail services being unavailable until 25 November. The inability to rail stock to port during this period resulted in a revision of the shipping plan and has meant the deferral of shipments to the second half of the year, but I am pleased to confirm that we still expect to export the budgeted sales volume of 1.2Mt at Stockton.

The HCC benchmark which increased considerably during the first quarter has remained high throughout the second quarter and the average HCC benchmark for the second quarter was \$327/t, up from \$240/t in quarter one. The uplift in the benchmark price and favourable exchange rates on export sales has meant an increase in our export segment revenue forecast. However, the increase in the export segment forecast earnings is offset by a forecast reduction in our domestic segment earnings and, to a lesser extent, by increases in costs of production.

Our North Island domestic segment has experienced operational delays in production in the new Waipuna West Extension pit at the Rotowaro mine, which has meant coal stockpiles have been used to fulfil sales in the first half of the year and the sales plan has been amended to accommodate the revised production levels. In addition, lower stripping volumes at the North Island mines due to delays have limited the ability to capitalise stripping costs in the new pits. Further information is detailed in the YTD consolidated EBITDA section of the report, and a detailed breakdown of the guidance movements is detailed on page 5 of this report.

<sup>1</sup> EBITDA is a non-GAAP reporting measure and reflects earnings before net finance costs (including interest), tax, depreciation, amortisation, impairment, non-cash fair value movements on deferred consideration and rehabilitation provisions.

# TENAS COKING COAL PROJECT AQUISITION

On 22 December we completed the purchase the assets of the Tenas coking coal project in north-west British Columbia, Canada. The purchase aligns to our strategy of increasing our exposure to steelmaking coal and means that we have an interest two long life steelmaking coal assets in Canada, the other asset being the Crown Mountain joint venture project located at Elk Valley, British Columbia, Canada. These projects are expected to enter production in FY26 (Tenas) and FY27 (Crown Mountain) and provide an annual combined total production of 2.4Mt of steelmaking coal.

More information regarding the Tenas project can be found in our ASX releases of 5 September and 22 December 2023. In the guidance on page 5 we have also started to report on our new Canadian asset, having formally completed the purchase of the Tenas project in late 2023. This reporting commences with the inclusion in the updated guidance of operational costs at the Tenas project (via the Telkwa segment) as the permitting process progresses.

## HEALTH, SAFETY AND ENVIRONMENT

Rotowaro mine had two lost time injuries in October. An operator was struck in the head with a hose fitting resulting in a broken nose and concussion. The second injury occurred when an operator slipped when cleaning a grader window, falling to the ground resulting in fractured ribs.

Revisions of site broad brush risk assessments (BBRA's) for health and safety and for environment and community have been completed in the quarter. As principal hazards underpin our critical risk verifications, it is important that risk reviews are completed on a regular schedule (if not already triggered by a material event) to ensure currency of our risk management program.

We are pleased to have installed new software at Rotowaro mine to assist with tracking of coal and overburden production. As well as productivity benefits, the software has brought excellent safety improvements including updated heavy truck speed monitoring. Initial monitoring results has led to revised road design assessments and a re-assessment of all ramp designs, road construction materials and speed ratings. The software also provides a driver management system to track driver distraction and fatigue with a hierarchy notification system to enable instant follow up by the crew supervisor.

A benchmarking audit has been completed of our mobile plant operator competency training packages. The audit scope was to compare our existing training packages against New Zealand Qualifications Authority and Australian Resources and Infrastructure Industry packages to verify that we are keeping with industry good practice. We are pleased to report only minor updates training packages were required.

## PERFORMANCE METRICS

<b>December quarter</b>	<b>Export 100%</b>	<b>NID<sup>2</sup> 100%</b>	<b>SID<sup>2</sup> 100%</b>	<b>BRL equity share</b>	<b>Prior period equity share</b>
Production (kt)	178	101	82	<b>263</b>	<b>305</b>
Sales (kt)	297	100	80	<b>338</b>	<b>445</b>
Overburden (Bcm '000)	1,267	2,484	229	<b>2,668</b>	<b>2,141</b>
Coal sales revenue (\$'000)	75,750 <sup>3</sup>	15,637	15,297	<b>74,699</b>	<b>112,591</b>
<b>December YTD</b>	<b>Export 100%</b>	<b>NID<sup>2</sup> 100%</b>	<b>SID<sup>2</sup> 100%</b>	<b>BRL equity share</b>	<b>Prior period equity share</b>
Production (kt)	448	198	124	<b>544</b>	<b>590</b>
Sales (kt)	494	233	124	<b>597</b>	<b>764</b>
Overburden (Bcm '000)	2,494	3,712	406	<b>4,440</b>	<b>3,966</b>
Coal sales revenue (\$'000)	134,768 <sup>3</sup>	37,566	22,934	<b>134,951</b>	<b>211,239</b>

<sup>2</sup> North Island domestic and South Island domestic.

<sup>3</sup> Includes realised FX and coal price hedging loss of \$10.7m YTD.

# CONSOLIDATED CASH MOVEMENTS

		Q1	Q2	H1 FY24	H1 FY23
	<b>Consolidated opening cash</b>	<b>163.1m</b>	<b>129.3m</b>	<b>163.1m</b>	<b>76.0m</b>
<b>Operating</b>	EBITDA	17.2	11.0	28.2	83.5
	Working capital	(10.1)	16.0	5.9	(14.2)
	Canterbury rehabilitation	(0.1)	-	(0.1)	(0.4)
	BT Mining corporation tax paid	(34.5)	(8.0)	(42.5)	(24.8)
<b>Investing</b>	Deferred consideration	(0.2)	(0.3)	(0.5)	(0.2)
	Crown Mountain	(0.3)	(0.2)	(2.0)	(0.4)
	Property, plant and equipment net of disposals	(2.6)	(7.5)	(10.1)	(7.9)
	Mining development including capitalised stripping	(4.5)	(8.2)	(12.7)	(8.4)
<b>Financing</b>	Finance lease repayments	(0.9)	(1.3)	(2.2)	(0.9)
	Borrowings repayments	-	-	-	(0.1)
	Finance income	2.2	1.0	3.2	0.9
	<b>Consolidated closing cash</b>	<b>129.3m</b>	<b>131.8m</b>	<b>131.8m</b>	<b>103.1m</b>

## Consolidated EBITDA

EBITDA decreased from H1 FY23, driven by a lower average coal price received on export sales and reduced sales volumes due to the rail outage. Refer to the following page for further commentary.

## Working capital

The timing of sales and export shipments at the end of the comparative period resulted in an increase in trade debtors, these have since been received and converted into cash.

## Corporation tax paid

Increase in corporation tax paid which reflects the tax obligations on increased FY23 taxable operating profits and the timing of provisional tax payments. The final FY23 provisional payment was made in July 2023, and the first FY24 payment was made in November 2023.

## Deferred consideration

Payments for the year consisted of royalties on Takitimu mine sales.

## Crown Mountain

Funds paid were on a proportional project equity ownership basis and were used to progress the environmental application.

## Property, plant and equipment net of disposals

Increase in spend compared to the comparative period, predominantly the acquisition of the Tenas project assets.

## Mining development including capitalised stripping

Spend has increased from the prior year comparative period due to the increased mine development costs and capitalised stripping in the Waipuna West extension at the Rotowaro mine as well as development costs completing the stream diversion project at the Rotowaro mine. Also included are the Tenas project mining assets.

## Financing income

Increased interest received on cash balances and deposits held.

# H1 CONSOLIDATED EBITDA v PRIOR YEAR

## **Export (equity share): \$30.6m (H1 FY23 \$82.1m)**

*Revenue has reduced due to:*

- Reduced sales volume of 157kt due to the slip in the Buller Gorge damaging the rail route to port for 6 weeks.
- A reduction in the average price received: \$294 per tonne versus \$349 per tonne in the prior comparative period ("PCP")
- As the HCC benchmark price has risen since the placement of hedges, there has been a hedging loss of \$11m for the period compared to a hedging gain of \$14m in PCP.

*Costs have decreased slightly because of:*

- Lower freight costs due to reduced railed volume following the rail outage, which was partially offset by contracted increased in the rate per tonne.
- Fuel costs have decreased as fuel prices have reduced from FY23, along with fewer machine hours and fuel volumes.
- A reduction in explosive costs as the global market price has reduced from the high levels experienced in the PCP.
- Increased business development costs, namely a contribution to the Buller Health Trust to assist with the new Kawatiri Health Centre.
- Employee profit share and sales commission expense has reduced as they are influenced by revenue.
- Contractors and consultant costs have increased, which was driven by increased civil and projects works undertaken.
- Increase in repairs and maintenance costs as planned repairs were brought forward during the rail outage.
- The cost of third-party coal used to blend shipments to customer specifications has increased as the price is aligned to the benchmark price which has increased compared to the PCP.

## **NID including BT corporate overheads (equity share): -\$2.4m (H1 FY23 \$1.8m)**

*Revenue has reduced due to:*

- Delays in the stream diversion project led to reduced production in new mining areas, planned sales have been deferred to align with the delayed production in the new Waipuna West Extension pit.
- A planned reduction in sales volumes at the Maramarua mine, primarily an energy producer and a food processing customer who has transitioned to biomass fuel, partially offset by increased average price received.

*Costs have increased because of:*

- Labour costs have increased at both North Island sites where headcount has increased to undertake significant increases in stripping in the new pits. There have also been contracted increases in labour rates.
- Increased stripping volumes in the new pits has meant an increase in equipment hire costs.
- Fuel costs have increased due to additional volumes required for the increased stripping, which has partially been offset by a reduction in the average fuel price compared to the prior year.
- Mobile plant repairs have reduced due to the lifecycle of machinery across the sites, particularly tire costs.
- The increased stripping in new pits at both the Rotowaro and Maramarua mines, has allowed an increase in the capitalisation of stripping costs which has partially offset the cost increases detailed above.

## **SID including BRL corporate overheads (100%): \$0.1m (H1 FY23 -\$1.9m)**

- Higher sales revenue due to increased price escalation and a higher graded product mix, partially offset by a planned reduction in sales volumes.
- Decreases in fuel and oil costs, driven by reductions in both the price and volume.
- Increases in rehabilitation costs due to an increase in the mine footprint as well as general increases in rehabilitation materials.

## **Telkwa – Tenas Project (100%): -\$0.1m**

- Operating costs incurred as the mine progresses with the required permit applications.

# FY24 GUIDANCE HELD AT \$95M - \$105M

	Metric	Export 100%	NID <sup>4</sup> 100%	SID <sup>4</sup> 100%	Telkwa 100%	BRL equity share
Sales	kt	1,200	545	210	-	1,342
EBITDA	NZD	\$135.0m to \$150.0m	\$11.0m	\$1.0m	-\$1.0m	\$95m to \$105m

## Key guidance assumptions

FY24 guidance remains at \$95m to \$105m. Key movements in the guidance are outlined below.

Forecast export sales pricing is indicatively based on an average HCC benchmark of USD \$300/t at \$0.62 NZ:USD (Q3) and USD \$275 at \$0.63 NZ:USD (Q4) across all sales types.

### Export: \$135.0m      Previous guidance: \$122.5m

The slip and damage to the tunnel in the Buller Gorge resulted in no rail services to port for 6 weeks across October and November. The shipping plan has been revised and budgeted sales volumes of 1.2Mt are able to be fulfilled in FY24.

*Revenue benefits from:*

- An increase in the forecast full year average price received per tonne of \$302/t versus a budget of \$256/t.

*Costs have increased due to:*

- Increases in fuel prices. The average price over the first half of 2024 was \$0.15/litre higher than the budgeted input for FY24 mine operating costs. Further increases in fuel cost have been forecast.
- Higher than budgeted contractor costs related to increased contractor hours completing civil works and project related works, as well as increased equipment hire costs to complete the work.
- A reduction in repairs and maintenance costs following the deferral of component work not required until FY25.
- Decreases in in stores and consumable costs following a reduction in the global pricing on explosives.

### NID including BT Mining corporate overhead costs: \$11.0m      Previous guidance: \$20.0m

- Sales volumes have slightly decreased versus the budget following the delays to production in the new pits, which has partially been offset by an increase in the average price received.
- Movement in coal stockpiles to facilitate planned sales due to lower than planned production in the new pits.
- Fuel costs have increased with an average full year forecast \$0.27/litre higher than what was budgeted.
- Delays in stripping in the new pits have reduced the capitalisation of stripping costs across the year.

### SID including BRL corporate overhead costs: \$1.0m      Previous guidance: \$2.5m

- Increased sales volumes tied with increased sales values from higher than planned price escalation.
- Costs have increased and offset the increased revenue, with Emissions Trading Scheme units increasing in costs, as well as greater rehabilitation costs due to an increased mine footprint requiring rehabilitation and increases in baseline costs for rehabilitation work.

### Telkwa Project: -\$1.0m

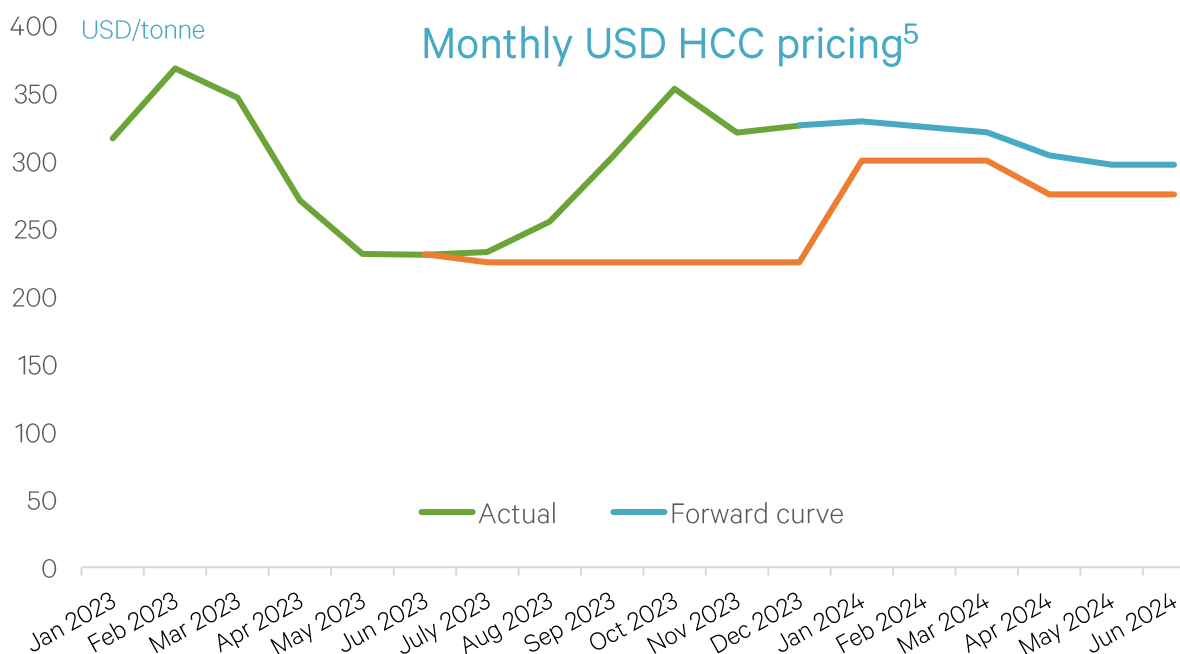
- Operating costs incurred as the mine progresses with the required permit applications.

<sup>4</sup> EBITDA includes corporate overheads for BT Mining in NID, Bathurst in SID.

# EXPORT MARKET UPDATE

## Current Market:

- The Australian Premium HCC price has remained above US\$300/t for most of the second quarter and climbed to US\$336/t in the first week of January 2024. The increases mean a US\$60/t premium to 2nd tier HCC pricing, as supply continues to remain tight out of Queensland with congestion at ports increasing.
- Renewed buying interest in seaborne cargos from China during the second quarter helped support pricing as Chinese domestic prices tracked upwards.
- However, during January the abundance of coals entering China, along with ongoing low steel demand and high steel raw materials costs has seen steel mills cut production and buyers remaining on the sidelines with prices now tracking lower.
- Supply of lower grade coals remains high as Russian coal continues to flood the Indian and Chinese markets with a significant price gap now between soft coals and the premium HCC coals.



## Outlook:

- It is expected that coal production will improve during 2024 following the underperformance of mines during 2023, and logistics constraints will be solved resulting extra supply likely leading to prices softening over the coming months and the gap between Premium HCC & 2nd Tier HCC coal declining.
- Sufficient supply out of Indonesia, Russia and from cross-over Australian coals will likely cap any significant upside pricing on the lower grade coals.
- Fundamentally, the Premium HCC coals are likely to remain in tight supply as resource development, especially in Australia, becomes harder with greater costs, increased Government regulations and high emission charges on underground mines.
- The Indian market continues to remain buoyant with strong demand from steel mills as they look to increase production and lift capacity to meet the 300 million tonne steel production target set by the Indian Government by 2030.
- However, uncertainty remains around the Chinese economy and especially within the real estate market which has seen large property development companies struggling to meet their large debt commitments. Further Government stimulus may be required to help lift the Chinese steel market.

<sup>5</sup> Actual USD monthly export benchmark pricing based on S&P Global Platts Premium Low Vol benchmark daily spot pricing. Forward curve is based on the 8 January 2024 S&P Global Platts Premium Hard Coking Coal Australia FOB derivative assessment.

# OPERATIONS REVIEW

## Export (Stockton) (65%)

There were five shipments in the quarter, with sales of 297kt. Sales tonnes for the quarter were behind budget due to the rail outage in the Buller Gorge from 15 October to 24 November.

Average price per tonne (“/t”) received excluding hedging was NZD \$297/t, which was \$64/t higher than budgeted, and also slightly higher than the NZD \$291/t received in the previous quarter.

The HCC benchmark increased through the first quarter and has remained higher than budget through the second quarter.

Production and overburden removal were both behind budget.

Production levels for the quarter were interrupted due to the rail outage, however increased production during December partially offset the shortfall.

Overburden removal was heavily impacted by wet and humid weather, particularly during December which saw record rainfall of 959mm and resulted in 244 lost hours. Contractor overburden was above budgeted levels for the quarter to minimize overall variances.

## NID (65%)

### Rotowaro

Overburden removal was below budget due to earlier delays experienced in the stream diversion project. There were also unplanned excavator breakdowns, with one of the 400 tonne excavators out of commission for 6 weeks while the engine was repaired. Workforce

shortages also impacted overburden levels.

Stripping volumes in the new Waipuna West Extension have increased in the second quarter.

Production tonnes were behind budget, which is linked to the reduced removal of overburden versus budget.

Sales volumes were behind budget for the quarter as sales were deferred due to lower production levels. Coal stockpiles were used to assist with the completed sales volumes.

### Maramarua

Production was behind plan for the quarter as geotechnical conditions in the K1 east wall meant that coal was mined earlier than planned in the first quarter. Year to date production is in line with plan.

Overburden volumes were below budget for the quarter the geotechnical conditions have made working conditions more difficult and impacted overburden levels.

Sales tonnes were behind budget as a customer transitioned to alternative fuels earlier than planned.

## SID (100%)

### Takitimu

Sales volumes were ahead of budget for the quarter as food processing customers required increased volumes due to higher production levels.

Production was ahead of budget to facilitate increased sales volumes and also increase coal stockpiles over the planned Christmas shutdown.

Overburden was behind schedule due to the focus being on increased production levels for the quarter.

## Exploration

\$961k consolidated spend across projects for Q2. Key works consisted of:

- Exploration, mining permit costs and drilling at Mt. Fred South
- Environmental baseline studies and drilling costs at Rotowaro mine for the Rotowaro extension project.

## Development

\$3.8m consolidated spend across all projects for Q2, with key spend on:

- \$3.6m on capitalised stripping from operating mine pits.
- Construction costs at the Cypress South pit at Stockton.
- Geotechnical drilling at the Stockton mine.
- Completion of the Mangakotukutuku stream diversion at the Rotowaro mine.

## Crown Mountain Project

A consent agreement was executed with key indigenous nations in early 2023.

In January the project's Environmental Impact Statement (EIS) and Environmental Assessment Application (EA) passed the Impact Assessment Agency of Canada's conformity review process. This allows the project to proceed to the next regulatory phase, which is the EIS review phase.

This means that the project is the most advanced steelmaking development coal project in Canada.

The equity share remains at 22.1 percent of the project including 2.6 percent held as preference shares from an advance of Tranche 2 funds.

# CORPORATE

## New Government

Following the New Zealand General Election in October 2023, the new government was formed in late November 2023 and has stated it is committed to removing red tape to spur on economic growth. In particular, the newly appointed Resources Minister has been very active in communicating this message and is known to be a strong supporter of a well-run mining industry.

We look forward to working constructively with the Minister and with Government to get New Zealand's regional economies pumping again.

This document was authorised for release on behalf of the Board of Directors on 30 January 2024.



### Investor relations

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At 23 January 2024:

Share price: AU \$0.93

Issued Capital: 191.4m ordinary shares

Market capitalisation: AUD \$178m

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Richard Tacon – Executive director

Francois Tumahai – Non-executive director

Russell Middleton – Executive director

### ASX Code: BRL

### Website and email

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### Company Secretary

Larissa Brown

### Shareholdings

Substantial holder/geographical location	Shareholding %
Republic Investment Management (Singapore)	20.8%
Talley's Group Limited (NZ)	10.8%
Crocodile Capital (Europe)	8.9%
Chng Seng Chye (Singapore)	6.1%
Asia	24.5%
Europe	9.1%
New Zealand	5.7%
Management	2.1%
AU Institutional	1.8%
Other	10.2%
<b>Total</b>	<b>100%</b>



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