

# BATHURST RESOURCES LIMITED

## Questions and Answers: Bathurst Resources FY24 Q4 results webcast (Friday 2 August 2024)

Bathurst Resources Limited (ASX:BRL) (Bathurst) announced its 2024 Q4 financial results on the morning of Wednesday 31 July 2024 and then provided an update on the results and a business outlook via webcast on Friday 2 August 2024 at 1:00pm NZT / 11:00am AEST.

The webcast presentation was lodged with the ASX on the same day of the webcast, and the responses to shareholder questions are published below for all shareholders. The questions fell into several broad areas, and the responses are included below.

### **Question: Joint Venture arrangement**

Bathurst has a high level of cash in the restricted securities category as a result of the Joint Venture not releasing funds to the respective venture partners. What is the reason for the JV not to release these funds? And in this regard, what did Bathurst do during the recent quarter with the JV partner regarding distributing of the JV's cash?

### **Answer:**

*As we have stated previously, Bathurst remains committed to the joint venture (BT Mining) as it continues to produce strong positive cashflows that will ultimately benefit BRL shareholders.*

*It is the JV Partner's view that significant funds will be required to develop the BT Mining extension projects at the current joint venture mine sites, which will extend the life of these assets and their ability to generate cash. In addition to these planned extension projects, the JV Partner is also interested to identify additional operating asset opportunities for the joint venture cash to be allocated to, on behalf of the JV.*

*BRL directors and management believe the funds would be better utilised through BRL, and we continue to negotiate for this outcome. In the meantime, the cash is recorded on the joint venture company's balance sheet and Bathurst will continue to have restricted access to this for the life of the joint venture, unless funds are distributed earlier as a dividend to the joint venture partners.*

*It is frustrating to many shareholders that these funds are not immediately available to BRL to deploy, and there is no doubt that access to these funds would provide BRL directors with a wider range of options regarding future growth strategies. However, BT Mining continues to be a highly successful joint venture, and the JV's assets continue to perform strongly, producing significant cash reserves which are held across term deposits at the best rates available to us.*

### **Question: Cash management**

The company has provided information on the estimated capex required for getting the various projects and extensions into production. What impact has the Joint Venture cash flows on these plans, and is the forecast expenditure supported by the JV partner? And specifically, with Bathurst's consolidated cash and cash generation being in the form of restricted securities, how does Bathurst intend to fund its non-BT Mining expansion projects?

#### **Answer:**

*The BT Mining extension projects will be funded through the JV, specifically by existing cash reserves which have been built up to extend the production life of the joint venture mines.*

*The Bathurst (100%) projects have various funding options available, forecast to be in the order of NZD \$25m. In New Zealand, these involve the use of dividends paid by the JV or the use of any future cash reserves, debt securities, or the option to raise funds from the existing shareholder base or raising capital by means of a share issue. Directors will consider the impact on shareholder value before considering the issue of new equity.*

*In Canada, the Tenas Project has a forecast capital requirement of circa CAD \$100m for the construction of the mine and to bring the project into production. Additionally, at Crown Mountain, Bathurst has the option to increase shareholding to 50% upon construction of the mine for CAD \$110 minus funds invested in preference shares. Capital funding for these projects has yet to be decided, however early discussions with investment banks indicate that competitive financing for metallurgical coal projects (at production stage) is available in the North American market.*

### **Question: KiwiRail tunnel issue**

How much more per tonne is road haulage compared to rail?

#### **Answer:**

*While KiwiRail complete the repairs and track maintenance in Tunnel 1 (Tawhai Tunnel) on the Stillwater to Ngakawau rail line, we expect the tunnel to be closed for most of H1 2025. As a work around for shipments from Stockton to the port, a road freighting plan has been implemented to bypass the tunnel and to enable us to fulfill planned key customer shipments until December 2024.*

*We have disclosed to the market that this operational challenge has impacted EBITDA and we expect to incur additional freight costs as a result of the workaround.*

*The full extent of this impact will be reported in the forthcoming quarterly reports; however, we expect a negative impact of circa NZD \$20 per tonne for shipments out of Stockton during this period.*

### **Question: Buller Project**

Does the projected new tonnage from Buller trigger any sort of payment or royalties owing to third parties?

#### **Answer:**

*The Buller production will be from the Escarpment extension and is a fully Bathurst (100%) owned resource and is forecast to make a material contribution to total export production. The production is expected to be mined on agreed commercial terms using the existing BT Mining joint venture infrastructure at the Stockton mine, and the company expects to pay a royalty on the revenues derived from the sale of this coal. This royalty will be paid in line with an agreement made with the vendor of the project.*

**Question: share price**

What steps is the company taking to address material share price underperformance and undervaluation?

**Answer:**

*The Bathurst board and management are committed to a strategy of investing and developing future production opportunities, which in time we believe will increase earnings and help to increase the share valuation to a level which we think Bathurst warrants.*

*Whilst access to its funds currently held in the Joint Venture would allow the company to advance this strategy more aggressively, we believe the pending extension projects in New Zealand and the addition of significant assets in Canada will significantly increase production and cash generation potential (BRL 100%) once in production.*

*The company intends to spend time with new investors in Canada and the USA, in addition to its investor meeting programs in Australia and Asia, to ensure that the market fully understands these objectives. And for existing shareholders, the company is scheduling regular investor webcasts for its financial reporting including quarterly updates to improve its investor communications.*

**Question: Litigation**

Is Bathurst still subject to any ongoing litigation, or threat of litigation?

**Answer:**

*Earlier this year, (17 May 2024) the company responded to an ASX letter regarding the status of the L&M Deed of Guarantee claim and the notice of appeal.*

*In our response, and as previously announced, Bathurst reported that during March 2023, the High Court dismissed the L&M Deed of Guarantee claim, ruling that first performance payment is not due under the terms of the contract. The Court held that L&M should have brought the argument under the guarantee in the first proceeding and that raising it in a subsequent proceeding was an abuse of process. L&M subsequently lodged a notice of appeal on the High Court's judgement. This appeal was heard over 2 days in May 2024, and we await the decision of the Court of Appeal (est. Nov 24).*

*The ASX was also advised in our reply that Bathurst continues to believe, based on legal advice, that it is unlikely these claims will be successful.*

**Question: New acquisitions**

How would you describe Bathurst's willingness to commit capital to other coal projects, either by way of acquisition (as with the Tenas Coking Coal Project) or investment (as with Crown Mountain), and is the company currently in discussions with potential targets?

**Answer:**

*The company is regularly approached with new project opportunities.*

*However, the board and management are fully committed to exploiting full value from the existing producing assets and the extension projects in New Zealand as well to bring online the recent investment and acquisition in Canada.*

*There are no formal plans or material discussions underway regarding new investments.*

**Question: equity raise**

Bathurst has indicated it is prepared to fund projects with an equity raise. Can you explain how this would add value for shareholders given you'd likely have to issue new shares at a large discount to net tangible assets per share, and likely a large discount to consolidated cash per share?

**Answer:**

*The company has a strong and demonstrable track record in sound capital management. The business is debt free and has accumulated a significant level of cash through its operations over recent years, including during the challenging pandemic period.*

*Where appropriate, and where funds have been available for a share buy back and for a dividend, the board has also approved this for shareholders.*

*The company will continue to take this considered and conservative approach to future funding and financing programs and has no intention of issuing new equity at a large discount to net tangible assets per share, or a large discount to consolidated cash per share, fund existing projects.*

*The focus of the company is to continue to manage operations profitably, to continue to work constructively with its Joint Venture partner (also a substantial shareholder in BRL) and to consider any future capital requirements in the context of its impact on shareholder value.*

**Question: Tax position**

Has Bathurst pre-paid some tax for FY25 due to greater previous year earnings? Or more simply: Is BRL in arrears or credit in terms of tax?

**Answer:**

*The FY24 tax returns are currently being prepared. Currently, BRL does not have any tax owing, and BT Mining has an estimated credit of \$2m as at 30 June 2024.*

**FURTHER INFORMATION:**

Shareholders interested in viewing the Q4 results presentation can access the presentation slides on the corporate website: <https://bathurst.co.nz/investors-news/news/>

If you have any further questions, please email [investor.relations@bathurst.co.nz](mailto:investor.relations@bathurst.co.nz)