

# BATHURST RESOURCES LIMITED

## Questions and Answers: Bathurst Resources FY24 Q3 results webcast (Monday 29 April 2024)

Bathurst Resources Limited (ASX:BRL) (Bathurst) announced its 2024 Q3 financial results on the morning of Monday 29 April 2024 and then provided an update on the results and a business outlook via webcast later in the day on Monday 29 April 2024 at 1:00pm NZT / 11:00am AEST. The webcast presentation was lodged with the ASX on the same day before 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.

### *Cash held in the joint venture (BT Mining)*

*The Company received questions around the cash held in the joint venture (BT Mining), which Bathurst is a shareholder, and how the funds are currently invested. Shareholders also asked about the status of the discussions with its joint venture partner regarding the distribution of the surplus cash inside BT Mining.*

BT Mining has been highly successful joint venture, and the assets continue to perform strongly, producing significant cash reserves. The cash reserves are held across term deposits at the best rates available to us, and these terms are actively reviewed and managed.

Significant funds will be required to develop the extension projects at the current joint venture mine sites, which will extend the life of the assets and their ability to generate cash. As well as the planned extension projects, we continue to work with our joint venture partner on identifying additional operating asset opportunities for the joint venture cash to be allocated to.

It is important to note 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.

Bathurst remains committed to the joint venture as it continues to produce strong positive cashflows that will ultimately enable the company to take growth opportunities when they arise for the benefit of all BRL shareholders.

### **CAPEX requirements.**

*The company received questions as around how much the future projects are expected to cost to reach production and how the projects are anticipated to be funded.*

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Cost analysis is ongoing for the projects, and at this early stage it is hard to provide accurate and precise amounts for the respective costs. However, indicative costs for the future projects are outlined below:

### *Bathurst Resources*

- Escarpment Extension - c\$50m
- Tenas Project – The 2019 DFS indicates USD \$54m for construction of the mine.

### *BT Mining – (Bathurst 65%)*

- Mt Fresrick South Extension - c\$30m
- Rotowaro Extension - c\$30m
- Maramarua Extension - c\$3m

### *Crown Mountain – (Bathurst 50%)*

- Bathurst has the option to increase shareholding to 50% upon construction of the mine for CAD \$110m minus funds invested in preference shares.

Funding of the BT projects will be funded by existing cash reserves which have been built up to extend the production life of the joint venture mines. The Bathurst projects have various funding options available. These include debt securities, raising funds from the existing shareholder base or raising capital by means of a share issue as well as the use of any future cash reserves.

### **Future production assumptions.**

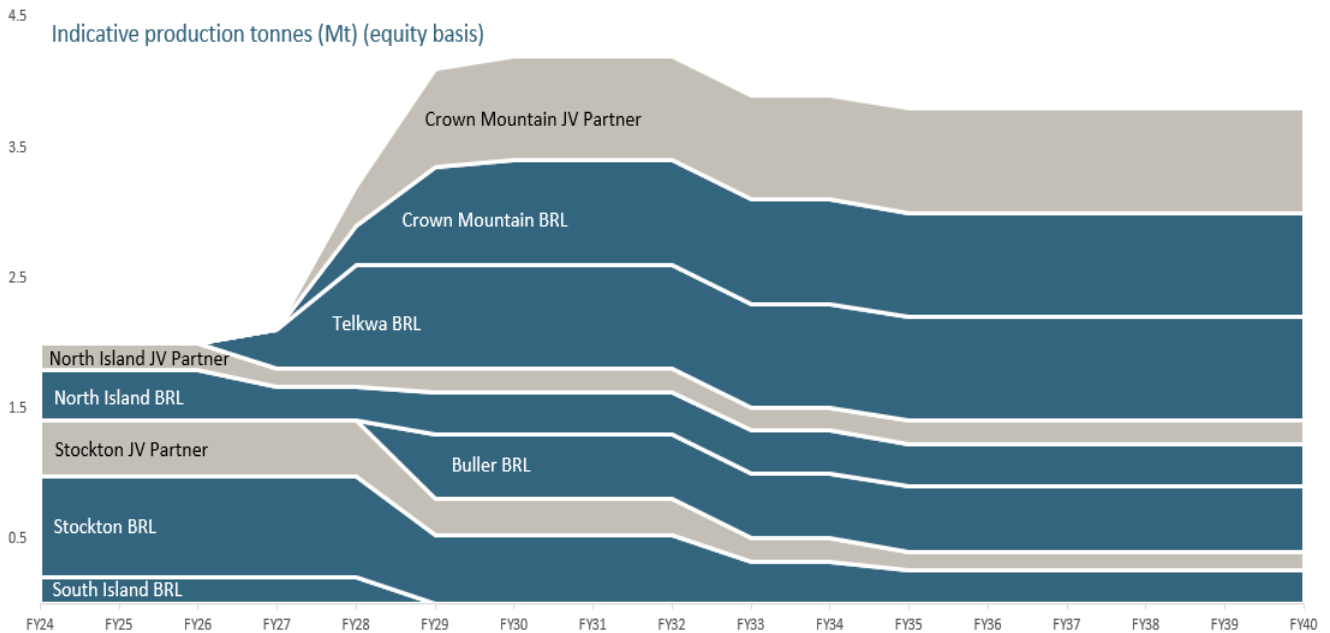
*There was interest in the future production assumptions for operations under Bathurst management, and questions around how much of the production relates to Bathurst owned resources and how much are in a joint venture.*

*With future production levels, there were also questions around how the Bathurst owned export resources will be mined, and specifically if the Buller projected tonnage will have any impact with L&M.*

The future production assumptions have been broken down on an equity basis in *Diagram 1* below, showing how much of the future production under management will be for Bathurst and how much for the respective joint venture partner.

The overall Bathurst equity share is anticipated to increase significantly from FY28 when the Tenas project in Telkwa, and the Crown Mountain project (both in British Columbia, Canada) come into production and accompany the New Zealand production.

### **DIAGRAM 1**



The Buller production will be from the Escarpment extension and is a fully Bathurst owned resource and will make up to 50% of total export production. The production is expected to be brought to market using the existing BT Mining joint venture infrastructure at the Stockton mine.

Bathurst is not aware of any reason as to why the Buller projected tonnage would have any impact on matters relating to L&M.

### Hedging strategy.

*The company received a question regarding the use of hedging and if this has been beneficial overall for the company.*

The company's hedging strategy has been a key factor in successfully mitigating risks associated with the volatility of the HCC benchmark price that our export earnings are aligned to and provides directors with a degree of certainty with regards to future revenue.

This is evident in recent months where the benchmark price has dropped significantly following a period of higher pricing, during which time we were able to place hedges and secure future revenue at the favourable pricing. In the 2023 financial year, BT Mining benefited from additional hedging revenue of \$15.5m from effective hedging.

However, all hedging comes with a risk that prices will increase and prior hedged placed will be ineffective. As such our policy limits the level of exposure to hedges.

## New Zealand Steel's coal requirements.

*The company received a question asking what impact the construction of the electric arc furnace (EAF) at the Glenbrook steel mill will have on North Island coal demand.*

Construction of the EAF is expected to be completed and operational by 2026 and will reduce NZ Steel's scope 1 and 2 greenhouse gas emissions by an estimated 45%. New Zealand Steel's coal requirements are forecast to reduce and align with current North Island supply volumes. The supply from the North Island mines is expected to remain at current volumes, and the reduced coal demand will be in the amount of imported coal.

## Litigation.

*A question was asked if Bathurst is subject to any ongoing litigation or threat of litigation.*

As previously reported, 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. In April 2023, L&M subsequently lodged a notice of appeal on the High Court's judgement. The appeal will be heard in May 2024.

Bathurst continues to believe, based on legal advice, that it is unlikely these claims will be successful.

## Share Price

*The company was asked what steps are being taken to address share price underperformance and undervaluation.*

Bathurst is a growth company and has retained cash for future development rather than distribute cash to shareholders via dividends. The board and management are applying the 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.

Although the current operations are successful and have a track record of providing significant cash generation, the extension of these assets and the addition of significant assets in Canada will significantly increase production and cash generation once in production.

investor roadshows are also planned for North America this year in addition to investor meeting programs in Australia and Asia, and the company is scheduling investor webcasts for its financial reporting (including quarterly updates) to improve its investor communications.

## Cost of mining

*We received a question asking what the cash costs per tonne are for our operations.*

All the mines are in varying stages of mine life and development. Each mine has different strip ratios in the respective mining areas, and therefore costs. We do not disclose individual project cash costs as these are commercially sensitive and in confidence with some of our customers.

## FURTHER INFORMATION:

Shareholders interested in viewing the Q3 results presentation can access the presentation slides on the corporate website: <https://bathurst.co.nz/investors-news/asx-announcements/>

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