BATHURST RESOURCES LIMITED

# Quarterly Report

## June 2022 quarter

### Key highlights

- Achieved consolidated full year EBITDA[1] (unaudited) result of $104.4m, up $44.9m (76%) from the prior year.
- Export consolidated FY EBITDA $83.4m, up 337% from FY21 ($19.1m).
- Consolidated EBITDA guidance for FY23 announced at $120m - $130m.
- Consolidated cash including restricted short-term deposits $76m at 30 June.

## CEO'S COMMENTS

We are very pleased to announce the achievement of our guidance for the year, recording an unaudited consolidated FY22 EBITDA of $104m, a 76 percent uplift on FY21. The headline number overwhelmingly reflects a significant step change in the earnings of our export segment which tripled year-on-year due to the rise in the export pricing benchmark, as well as meeting production targets.

The guidance was reached despite COVID related operational disruptions, significant weather events, cost headwinds, and 50kt of export sales slipping from the end of June to early July due to weather caused delays of the late arrival of the vessel into port.

Operationally, weather has been the biggest disruptor to our operations during the year, with two significant flooding events affecting the Stockton mine, a slip in June at the Maramarua mine due to excessive rainfall, and lower production levels at the Rotowaro mine due to increased wet weather. Our ability to continue to meet contracted sales is a testament to the proactive approach to operational planning by our site and operational teams, as well as maintenance of stockpiles, and ability to shift coal supply between our North Island domestic mines.

FY23 EBITDA guidance of $120m - $130m reflects the highest to date forecast earnings for our business. This factors in significant cost pressures forecast to increase the unit operating costs for all operations, and standard PPI increases for sales prices in the domestic market. It reflects an average benchmark price of USD $288 per tonne for export sales, and includes 250kt of sales hedged at an average NZD $511 per tonne.

Longer term, a three-year extension (based on current production/sales volumes) to mining operations at the Rotowaro mine is in the final stages of approval with Rotowaro's core customer base. The project will support three of New Zealand's largest companies and provide 175 on-site jobs for locals in the Waikato region. The project is structured as a commercial partnership with the upfront waste stripping investment being shared. There is no significant new equipment capital outlay required as the fleet from the current operations will be utilised alongside a refurbishment programme extending the life of the assets.

[1] 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.

# HEALTH, SAFETY AND ENVIRONMENT

We are pleased to be able to report no lost time injuries for the quarter and total injuries are trending downwards. It is pleasing to see the reduction in injuries having strong links to the field leadership programme implementation, thus supporting this visible safety leadership initiative.

During the quarter the effects of COVID on workforce absenteeism became evident. By the end of June 45 percent of our workforce had contracted COVID. However, an assessment completed in Q1 identifying critical roles with multiple backups was applied, resulting in minimal interruption to delivery of critical tasks, for which we greatly thank our people and their support of one another.

A post COVID fitness for work initiative was actioned to help ease our affected employees back to work. This included the completion of an online health self-assessment tool, identifying any remaining COVID symptoms. This assessment allowed our COVID coordinators to support individuals who required additional COVID leave, or who required assistance to obtain a medical physician assessment. Workers cleared to return to work were engaged by their manager to discuss their current state of fitness. Additional worker support was provided via extra supervisor checks and from fatigue management assessments.

# PERFORMANCE METRICS

| **June quarter** | **Export 100%** | **NID[2] 100%** | **SID[2] 100%** | **BRL equity share** | **PCP equity share** |
|---|---|---|---|---|---|
| Production (kt) | 248 | 119 | 44 | **282** | **354** |
| Sales (kt) | 256 | 174 | 52 | **332** | **396** |
| Overburden (Bcm '000) | 1,112 | 1,215 | 315 | **1,827** | **2,377** |
| Coal sales revenue ($'000) | 135,355[3] | 24,410 | 8,861 | **112,708** | **53,811** |
| Production costs ($'000) | (55,308) | (24,326) | (7,686) | **(59,449)** | **(43,401)** |
| | | | | | |
| **June YTD** | | | | | |
| Production (kt) | 913 | 738 | 226 | **1,299** | **1,437** |
| Sales (kt) | 1,023 | 687 | 248 | **1,360** | **1,536** |
| Overburden (Bcm '000) | 4,446 | 5,534 | 1,751 | **8,238** | **13,637** |
| Coal sales revenue ($'000) | 297,296[3] | 93,250 | 39,587 | **293,442** | **212,626** |
| Production costs ($'000) | (167,112) | (68,231) | (34,325) | **(187,298)** | **(159,553)** |

Production costs are the equivalent of cost of sales which is shown in the income statement in Bathurst's half year and full year statutory accounts. Cost of sales are costs directly attributable to the production of coal and include all operating cash and non-cash costs.

[2] North Island domestic and South Island domestic.
[3] Includes realised FX and coal price hedging expense, $90m YTD.

# CONSOLIDATED CASH MOVEMENTS

| | | FY22 | FY21 |
|---|---|---|---|
| | **Opening cash[4]** | **20.2m** | **26.0m** |
| Operating | EBITDA | 104.4 | 59.5 |
| | Working capital | (4.9) | 1.8 |
| | Canterbury rehabilitation | (3.8) | - |
| | Corporation tax paid | (4.5) | (18.2) |
| Investing | Deferred consideration | (2.3) | (4.6) |
| | Crown Mountain (environmental assessment application) | (0.8) | (0.8) |
| | Property, plant and equipment net of disposals | (8.1) | (6.3) |
| | Mine assets including capitalised stripping | (11.7) | (20.5) |
| Financing | Finance lease repayments | (8.5) | (9.9) |
| | Interest and principal payments on BRL corporate debt | (1.3) | (2.2) |
| | Borrowings repayments | (2.6) | (4.2) |
| | Financing costs/other | (0.1) | (0.4) |
| | **Closing cash** | **76.0m** | **20.2m** |

### Consolidated EBITDA

EBITDA increase from FY21 primarily driven by a higher export coal price on export sales. Refer to the following page for commentary against guidance for the year.

### Canterbury rehabilitation

The mine was closed at the end of June 2021, with rehabilitation due to be complete Q1 FY23.

### Deferred consideration

Payments for the year consisted of royalties on Takitimu mine sales, and a final payment in November relating to the acquisition of the BT Mining assets.

### Crown Mountain

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

### Mining development including capitalised stripping

Spend has decreased from the prior year comparative period due to the Rotowaro mine's strip ratio decreasing as the mine moves into the mature end of its Waipuna West pit.

### Borrowing repayments

The final repayment of funding received in advance from customers for stripping activities for the Waipuna West pit (Rotowaro mine).



[4] Cash figures reported included restricted short-term deposits.

# FY22 EBITDA $104.4M V GUIDANCE $103.5M

### **EXPORT equity share $83.4m** Up $9.6m (13%) from guidance.

The key driver of favourable export results versus guidance is an increased price received per tonne that offset lower volumes and increased costs.

| | |
|---|---|
| Sales price | • Actual average price received per tonne (including realised hedging expense) was NZD $291 versus a forecast of NZD $261.<br>• This reflects an average annual benchmark of USD $374 per tonne against forecast of USD $317 per tonne. Realised hedging expense partially offset the increased pricing, as hedges set in FY21 before the price began its recovery matured throughout the year, tapering off in Q4.<br>• The actual USD:NZD FX rate also came in slightly beneficial to forecast. |
| Sales volumes | • Sales volumes came in behind forecast for the year, reflecting a 50kt shipment of semi-hard coking coal slipping from the end of June into early July (FY23). Adverse weather affected the timing of the arrival of the vessel into the Lyttleton Port that export sales ship from, resulting in a delay in the completion of loading the coal onboard. |
| Costs | • Costs have increased due to a mix of underlying unit cost increases, flooding related disruptions and COVID related absenteeism.<br>• The price of coal purchases and fuel have increased significantly; the former is pegged to the USD pricing benchmark so fluctuates with revenue, and the latter reflects the global increase in fuel prices over the last 12 months (July 21 average price $1 per litre versus $2.42 in June 22).<br>• Price escalations have been seen in a number of other areas over the last six months, notably freight and equipment hire. |

### **NID including BT corporate overheads equity share $22.1m** Lower -$5.1m (19%) than guidance.

The key drivers of the unfavourable NID result reflect lower sales tonnes, underlying cost increases, and operational delays at the Rotowaro mine.

| | |
|---|---|
| Sales volumes | • Due to customer kiln shutdowns and rail outages, contracted sales volumes for a key customer have been deferred to FY23, resulting in lower revenue. |
| Costs | • Costs have increased due to a mix of underlying unit cost increases and to a lesser extent COVID related absenteeism.<br>• The largest cost escalation at the NID mines was fuel which was on average 35 percent more expensive than forecast (85 percent in June). |
| Rotowaro operational delays | • Cash costs for Rotowaro were roughly in line with forecast, despite lower production volumes. This meant the draw down of stockpiles was added to the overall cost base, instead of an expected addition to stockpile levels (and subtraction from cash costs).<br>• Production levels at the mine were hampered by delays due to the stream diversion project, and to a lesser extent wet weather and COVID related absenteeism.<br>• Rotowaro has a high proportion of fixed costs, particularly in labour and repairs and maintenace which represent ~ 60 percent of total cash costs. |

### **SID including BRL corporate overheads equity share -$1.1m** Lower -$3.6m than guidance.

*BRL corporate*

- Legal fees incurred in defending claims bought against BRL by L&M came in significantly higher than budgeted.

*SID operations*

- Net freight revenue from the distribution centre was adverse to forecast due to the continued erosion of margins from fuel cost and government levy increases. Some of these increased costs have been recovered from customers.
- Increased coal purchase expense. Third party coal is periodically purchased to meet contractual specifications and supply high value contracts. Alternative coals with increased logistics and rising carbon unit costs have attracted a higher charge.

# FY23 GUIDANCE $120M - $130M

| | Metric | Export 100% | NID[5] 100% | SID[5] 100% | BRL equity share |
|---|---|---|---|---|---|
| Sales | kt | 1,266 | 628 | 205 | 1,436 |
| EBITDA | NZD | $145.3m to $160.6m | $35.1m | $2.6m | $120m to $130m |

### EXPORT EQUITY SHARE $94.4m - $104.4m ($83.4m FY22)

Earnings are forecast to increase, key movements being:

- An increase in volumes of 242kt. 50kt represents the boat that slipped from end of June to early July. The remainder represents primarily increased semi-hard coking coal sales tonnes.
- An increased average price per tonne. The price path assumption is an annual average benchmark of USD $288/t. Whilst this is lower than the FY22 average, FY23 is starting at a higher price point than FY22. FY23 is also expected to benefit from 250kt hedged at USD $329/t, versus FY22 which realised maturing hedges set in FY21 whilst pricing levels were much lower.
- An assumed NZD/USD foreign exchange rate of 0.66 which will also have a positive impact year-on-year.
- Cost increases partially offset the revenue benefits. These are widespread and reflect the global trend of increasing costs driven by inflationary pressures/supply chain disruptions. Escalation percentages for core cost inputs range from 5 percent for salaries and wages, 40 percent for fuel, 23 percent for mobile plant maintenance, and increased freight (driven by fuel prices).

### NID INCLUDING BT CORPORATE OVERHEADS EQUITY SHARE $22.8m ($22.1m FY22)

Earnings are forecast to increase, key movements being:

- A contracted decrease in sales volumes to an electricity generation customer, partially offset by increases in the average price received.
- Underlying input cost escalations mainly in fuel, mobile plant components, and salaries and wages.
- An increase in BT Mining corporate overhead costs. Salaries are forecast to increase due to short-term incentives. Health and safety related costs have also increased with several programmes delayed from FY22 due to COVID related travel restrictions.
- The above negative impacts are offset by an overall improvement in earnings at the Rotowaro mine year-on-year. The current operational pit is nearing the end of its life and as such is a lower strip ratio and less costly to access coal. Also contributing but to a lesser extent, the planned increase of waste stripping due to the commencement of the next mine extension means given the high proportion of fixed costs, the cost per tonne mined/cubic metre of waste dirt removed reduces net of capitalised stripping costs.

### SID INCLUDING BRL CORPORATE OVERHEADS EQUITY SHARE $2.6m ($-1.1m FY22)

Earnings are forecast to increase, key movements being:

- A reduction in corporate overhead costs. Legal fees regarding claims bought against BRL by L&M are forecast to decrease.
- A decrease in earnings at the Takitimu mine. Sales volumes are forecast to marginally decrease as some customers transition to biomass fuel, partially offset by annual contracted price adjustments. Production costs are up mainly in fuel, mobile plant components and salaries and wages. Additionally, as the mine progresses towards the end of its life, costs net of capitalised stripping naturally increase as there is a certain level of fixed costs incurred, relevant to production and overburden stripping volumes.

[5] EBITDA includes corporate overheads for BT Mining in NID, Bathurst in SID.

# OPERATIONS REVIEW & MARKET OUTLOOK

## Export (Stockton) (65%)

There were six shipments in the quarter, with sales of 256kt which was behind forecast as a semi-hard coking coal boat slipped from late June to early July.

Average price per tonne ("/t") excluding hedging was NZD $591/t, NZD $164/t higher than Q3. The average benchmark price has maintained its high levels, moving from USD $395/t in Q3 to USD $526/t in Q4 which will inform some of the FY23 Q1 sales pricing.

Overburden removal was impacted in Q4 by COVID and wetter than usual weather, which also impacted production levels. Improvements have been made to water management as well as mine roading that will reduce the impact of future weather events.

## Export market outlook

After the large spike in pricing through March and April due to the war in Ukraine alongside the already constrained supply out of Australia due to COVID and ongoing wet weather, prices have started falling back to more sustainable levels.

Supply has recently improved with cheap Russian coal going to China and India, and Australia output increasing as COVID and weather-related disruptions ease.

The outlook for steel demand remains steady, however slowing economic growth for many countries is creating uncertainty. This combined with improved supply is expected to see a reduction in prices over the next 12 months.

## NID (65%)

### Rotowaro

Significant weather-related disruptions in May and June meant production levels were significantly impacted during the quarter. However stripped stocks (coal uncovered in the pit), and coal under light cover (due to increased overburden removal) are ahead of forecast. Significant efforts were made in Q4 to catch up on the overburden shortfall from previous quarters. Favourable coal winning compared to rates modelled means that sufficient coal has been mined despite overall reduced overburden volumes over the full year.

Sales volumes were slightly behind forecast however the tonnes are contracted and will be supplied in FY23.

### Maramarua

Production and overburden volumes were impacted by wet weather during Q4, as well as a slip in the main east wall pit in June which paused coal winning for a few weeks. This has caused a delay to operations but the mine is still well placed to meet future sales. Sales were in line with forecast.

## SID (100%)

### Takitimu

Overburden removal was impacted by component replacement on the main excavator, which was bought forward based on condition monitoring assessment. This affected coal production however coal stocks are sufficient to meet future sales. Coal sales were marginally behind due to a lower demand through the winter dairy season.

### Canterbury

After COVID and weather related delays, rehabilitation completion is on track for Q1 FY23. Final earthworks will be completed in July, with lined drains and civil works completed in August, and a progressive step down in operators with 1 FTE from September. Ongoing costs will reflect monitoring and general maintenance. The cost of rehabilitation has been in line with budget.

## Exploration

$535k consolidated spend across projects for Q4. Key work consisted of:

- Drilling works and model updates for the New Brighton permit (Takitimu mine) to support resource development.

## Development

$3.7m consolidated spend across projects for Q4, with key spend on:

- $2.3m on capitalised stripping from operating mine pits.
- Fines coal storage project at the Stockton mine.
- Stream diversion design and construction at the Rotowaro mine.
- Waipuna West extension (Rotowaro mine).

## Crown Mountain

The environmental application was submitted to regulators in early May.

Funds issued in this financial year ($0.8m NZD) are a non-callable loan, used for progressing the environmental application.

# CORPORATE

## Litigation

The legal actions bought against Bathurst by L&M Coal Holdings Ltd continue. A substantive hearing on the Change in Control allegation is currently in progress, and a hearing occurred from 20 to 22 June 2022 on the Deed of Guarantee claim. We continue to believe based on legal advice that it is unlikely these claims will be successful. For further information refer to a previous quarterly here.

This document was authorised for release by the Board of Directors on 26 July 2022.


**Investor relations**

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At 20 July 2022:

Share price: AU $1.17
Issued Capital: 191m ordinary shares
Market capitalisation: AUD $223.9m.


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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**
Melanie Hart

**Shareholdings**

| Substantial holder/geographical location | Shareholding % |
|---|---|
| Republic Investment Management (Singapore) | 21.4% |
| Talley's Group Limited (NZ) | 10.8% |
| Crocodile Capital (Europe) | 7.5% |
| Chng Seng Chye (Singapore) | 6.0% |
| Asia | 24.1% |
| Europe | 9.0% |
| New Zealand | 4.9% |
| Management | 2.1% |
| AU Institutional | 2.1% |
| Other | 12.0% |
| Total | 100% |

BATHURST RESOURCES LIMITED

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