

RESULTS ANNOUNCEMENT

28 August 2020: Bathurst Resources Limited 2020 full year result

BATHURST ACHIEVES STRONG RESULTS DESPITE A CHALLENGING EXPORT MARKET & IMPACTS OF COVID-19

Bathurst Resources Limited ("BRL" or "Company") (ASX: BRL) is pleased to announce its full year results for the year ended 30 June 2020.

Financial measures (NZD)	FY20 \$m	FY19 \$m
Revenue ¹	232.7	285.1
EBITDA ²	76.8	106.6
Net (loss)/profit after tax	(47.4)	45.0
Underlying profit after tax ³	25.8	45.0
Cash	26.0	38.5

Directors are pleased to release the financial results for FY20, noting that the solid results achieved for the year reflect BRL's preparedness for export pricing volatility, and the strategic advantage of having a diversified portfolio.

CEO Richard Tacon said "As signaled to investors in the original guidance released for FY20, BRL was prepared for a reduction on export earnings due to market factors impacting coal pricing. And we expected domestic earnings to be consistent apart from planned changes to production levels.

The impact of COVID-19 extending the period of lower pricing could not have been predicted. However the benefit of stable cashflows from our domestic segment, and the ability to weather lower export pricing from maintaining costs and the effective use of hedging, has seen our business fair relatively well. Demand for our product has also remained relatively stable, highlighting the pivotal role that coal continues to play in the global economy."

Mr. Tacon noted the disappointment on the judgment from the Court of Appeal which upheld the case brought against BRL by L&M Coal Holdings Ltd ("L&M"). Whilst directors remain hopeful as this matter is now set to heard by the Supreme Court of New Zealand in early October 2020, the judgment debt has been recorded which is reflected in the net loss after tax result.

¹Includes realised FX and coal pricing hedges on export sales. Unrealised movements in coal pricing and FX hedging goes through other comprehensive income.

²Earnings before net finance costs (including interest), tax, depreciation, amortisation, impairment, non-cash movements on deferred consideration and rehabilitation provisions.

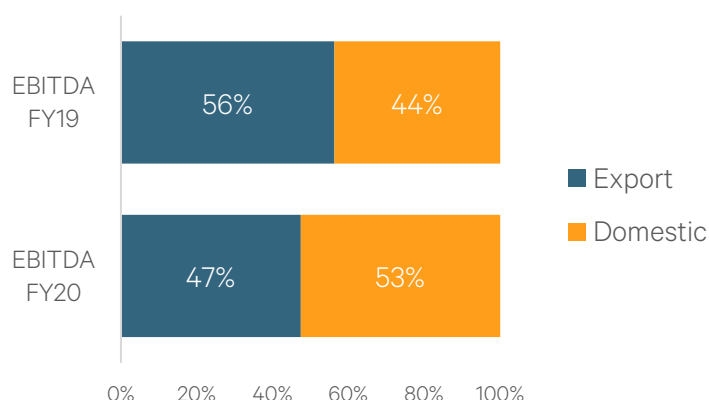
³ Underlying profit equals net loss after tax excluding \$73.2m relating to a performance payment, refer page 5 for further information.

“Looking forward, we believe we are well prepared to continue managing our business successfully through the on-going uncertainty that the COVID-19 pandemic represents. Our sights will remain on our growth opportunities both in New Zealand and Canada, and our efforts will remain fully focused on seeking a resolution to the challenges posed by the adverse judgment on the L&M claim”, Mr Tacon said.

OPERATIONS

Bathurst is New Zealand’s leading coal producer, engaging in the development and production of coking and thermal coal in New Zealand.

The below graphs show EBITDA from operations by operating segment.



Export operations – Stockton mine (65 percent equity share via BT Mining)

Measure	Export FY20	Export FY19
Production (kt) (100% basis)	954	1,083
Sales (kt) (100% basis)	1,077	1,178
Overburden (Bcm 000) (100% basis)	4,013	4,522
Revenue incl. realised hedging (\$'000)	121,011	167,504
EBITDA (\$'000)	42,626	67,371

A decrease in export coking coal pricing from the high levels reached in FY19 has had a significant impact on results year-on-year (“YOY”). Average pricing received for FY20 was NZD \$163/tonne versus NZD \$212/tonne in FY19.

Lower pricing was forecast for FY20, as a slowdown in the Indian auto industry market and construction demand in Japan, combined with uncertainty surrounding import controls and economic growth in China and other macro factors put downward pressure on pricing levels. These were expected to recover over the latter part of FY20, however with the advent of COVID-19 this did not eventuate. Hedging put in place to reduce price volatility helped to minimise the full impact.

Sales volumes were also impacted as a result of the pandemic. The mine was shut down for just over four weeks in April due to a nationwide NZ Government enforced lockdown of non-essential businesses. Our offshore customers also dealt with their own pandemic related disruptions.

An underlying increase in the cost base from de-risking the Cypress pit and fixed costs incurred from the four-week pandemic related shutdown also impacted EBITDA YOY.

Domestic operations

Measure	Domestic FY20	Domestic FY19
Production (kt) (100% basis)	1,079	1,261
Sales (kt) (100% basis)	1,137	1,301
Overburden (Bcm 000) (100% basis)	14,727	15,986
Revenue (\$'000)	111,665	117,613
EBITDA (\$'000)	47,311	52,249

Domestic operations include the Rotowaro and Maramarua mines (North Island domestic, "NID") which are 65 percent owned via BT Mining, and the Canterbury and Takitimu mines (South Island domestic, "SID").

Sales and production volumes reached budget set by management. The decrease in revenue against the prior period is caused by the SID segment. This was signaled to the market at the beginning of the year, as a reduction in sales volumes was expected from realignment of production to better support strategic customers and a resultant loss of a sales contract. NID revenue was consistent to the prior year despite a slight decrease in volumes due to an uplift in pricing on coal sales.

The EBITDA retraction comes through partially from the associated SID revenue decrease. An increase in costs at Rotowaro mainly from mechanical issues which drove up repairs and plant hire costs was the other key contributor. These are expected to drop back to normal levels in FY21.

Corporate

Corporate segment costs included in the total group consolidated EBITDA were consistent YOY, \$13.0m in FY19 versus \$13.2m in FY20.

KEY GROWTH PROJECTS

Project location	Project description
British Columbia, Canada	Crown Mountain project – coking coal joint venture.
South Island, New Zealand	Drilling and consenting works continue in Bathurst and BT Mining's Denniston plateau projects to assess converting resources to reserves, including a project for the concept Upper Waimangaroa haul road.
North Island, New Zealand	Rotowaro North and Waipuna West extension projects to the Rotowaro mine. The Waipuna West extension project has been updated resulting in an improved mine plan. A report is being prepared to enable engagement with key stakeholders.

Crown Mountain project, Canada

- Key findings of the bankable feasibility study ("BFS") were released in early July by joint venture partner Jameson Resources Limited on the ASX (ASX code: JAL).
- The BFS reaffirmed the project as a high-quality coking coal opportunity for development with a competitive operating and capital cost structure.
- The environmental assessment is on track for the application to be submitted in Q1 of CY2021.

- BRL's equity share at 30 June 2020 was 22.2 percent of the project including 2.2 percent held as preference shares from the tranche two option advance. Funds from the advance were used to finalise the BFS and will be used to progress the environmental application efforts.

CASH FLOWS

		YTD
	Opening cash 30 June	\$38.5m
Operating	EBITDA	\$76.8m
	Working capital	(\$0.7m)
	Tax	(\$9.3m)
Investing	Deferred consideration	(\$10.8m)
	Crown Mountain feasibility studies	(\$6.1m)
	PPE	(\$14.4m)
	Mining assets including capitalised stripping	(\$31.5m)
Financing	Finance leases	(\$6.3m)
	Corporate debt instrument principal and interest repayments	(\$8.8m)
	Dividend	(\$5.5m)
	Borrowings drawdown net of interest	\$4.1m
	Closing cash 30 June	\$26.0m

One-off items

BRL maiden dividend \$5.5m & Crown Mountain investment to fund feasibility studies \$6.1m.

Mining assets

Capitalised stripping increase largely from the re-evaluation of life of mine for key North Island pits and overburden activity at Waipuna West extension pit.

Deferred consideration

Majority paid to Solid Energy whom the BT Mining assets were purchased from. This liability has reduced down to \$5.3m at 30 June 2020 and is close to being fully cleared.

Corporate debt instruments

A partial repayment of the USD BRL corporate bonds which were issued to fund investment in BT Mining, including interest.

Borrowings drawdown net of interest

Monies received in advance on stripping activities for the Waipuna West pit at the Rotowaro mine.

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CORPORATE

Dividends

The dividend relating to the 30 June 2019 reporting period was paid on the 23 October 2019. The dividend was AU 0.3¢ per share and came to a total cost of NZD \$5.5m.

Extension to term of USD bonds

Holders of the USD bonds agreed in January 2020 to extend the term of the USD bonds for a further year, from 1 February 2020 to 1 February 2021.

LITIGATION

Deferred consideration

On 24 April 2020 the Court of Appeal upheld the High Court's judgment regarding a claim brought against BRL by L&M regarding a performance payment in a sale and purchase agreement between BRL and L&M. BRL has been granted leave to appeal to the Supreme Court of New Zealand and this matter is now set to be heard by the Supreme Court on 8 and 9 October 2020.

Notwithstanding the leave to appeal, a liability was recognised reflecting this judgment debt for the year ended 30 June 2020, which has created material uncertainty related to BRL being a going concern. Further information including avenues being pursued to fund the payment are described in note 1 and 15 (c) of the financial statements.

Contingent liabilities

On 4 May 2020 BRL announced that L&M had given BRL notice that L&M intended to pursue further legal action under the terms of the SPA. L&M asserted in its notice of request for arbitration that its entitlement to the second performance payment arises because there has been a change in control in Bathurst, arising from an aggregation of current and historical shareholders acting together as undisclosed associates, and that this is the equivalent to a third party acquiring more than 50 percent of BRL's shares. And as a second assertion that a grouping of shareholders through a concerted course of action has acquired effective control of BRL and therefore has the ability to control the composition of the board of Bathurst New Zealand Ltd.

The Board and its financial and legal advisors have reviewed the current and historical shareholdings, considered the allegations of association, and consider both aspects of the notice to be without merit.

Based on legal advice received, the directors believe that it is more than likely that this second claim by L&M would be unsuccessful.

This release was authorised for issue by the board of directors.

Bathurst Resources Limited

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Chief Executive Officer

Richard Tacon

Directors

Toko Kapea – Non-executive chairman
Richard Tacon – Executive director
Peter Westerhuis – Non-executive director
Russell Middleton – Executive director

Substantial holders at 30 June 2020

Republic Investment Management Pte Ltd 23.1%
Talley's Group Ltd 12.1%
Crocodile Capital: 7.2%
Chng Seng Chye: 6.4%

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