



ANNUAL FINANCIAL REPORT

for the year ended 30 June 2009

Bathurst Resources Ltd and its Controlled Entities
ACN: 125 679 469

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This financial report covers Bathurst Resources Ltd and its subsidiaries as a Group. The financial report is presented in Australian dollars.

Bathurst Resources Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Bathurst Resources Ltd
Suite 2, Mezzanine Floor
35-37 Havelock Street
WEST PERTH WA 6005

A description of the nature of the Company's operations and its principal activities is included in the review of operations and activities in the Directors' Report on page 2, which does not form part of this financial report.

The Company has the power to amend and reissue the financial report.

Corporate Information

Directors:

Craig Munro
Non-Executive Chairman

Hamish Bohannan
Managing Director

Gerry Cooper
Executive Director

Chuck Griffith
Non- Executive Director

Graham Anderson
Company Secretary

Auditors:

WHK Horwath
256 St Georges Terrace
PERTH WA 6000

Solicitors:

Steinpreis Paganin
Level 4, Next Building
16 Milligan Street
PERTH WA 6000

Registered & Principal Office:

Suite 2, Mezzanine Floor
35-37 Havelock St
WEST PERTH WA 6005
Telephone: + 618 9482 0500
Facsimile: + 618 9482 0505

Postal Address:

P.O. Box 389
WEST PERTH WA 6872

Home Stock Exchange:

Australian Securities Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000
ASX Codes – BTU, BTUO

Share Registry:

Security Transfer Registrars Pty Ltd
PO Box 535
APPLECROSS WA 6953
Telephone +618 9315 2333

Directors' Report

Your Directors have pleasure in submitting the financial report of the Company for the year ended 30 June 2009.

INFORMATION ABOUT THE CURRENT DIRECTORS

The names and details of Directors in office at any time during the year and at the date of this report are:

Mr Hamish Bohannan - Managing Director, appointed 8 September 2008.

EXPERIENCE AND EXPERTISE

Hamish Bohannan is a Mining Engineer with 30 years experience in the resources industry, starting as a miner with Goldfields in South Africa before completing a degree at the Royal School of Mines. He has been actively involved in many areas of the industry including dredging and open cut mining, processing and smelting having worked around the globe in various metals from Copper and Gold to Nickel and Mineral Sands. Previously CEO of Braemore Resources, Hamish has also held executive positions with Cyprus Minerals, WMC Ltd, Iluka and IAMGold.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Tectonic Resources NL – Non-Executive Chairman

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Braemore Resources PLC - Managing Director

Lachlan Star Ltd – Non-Executive Director

Charles "Chuck" Griffith - Non-Executive Director, appointed 18 February 2009

EXPERIENCE AND EXPERTISE

After leaving the United States air force, Chuck has worked extensively in the Appalachian coal industry, with some 35 years as senior executive and principal of Kentucky mining and underground contracting companies. These companies have included the D&A Coal Company, CP&G Coal Company and Scant Branch Coal. Since 1998, Chuck has been principal of Mines & Minerals Consulting, providing services to coal and oil and gas companies in Eastern Kentucky.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

None.

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

None.

Mr Gerald Cooper – Non-Executive Director, appointed 9 November 2009

EXPERIENCE AND EXPERTISE

Mr Cooper has been Bathurst's VP Operations USA for the last 14 months. Gerry, who is a qualified Marine Engineer, served for a number of years as a seagoing engineer before moving onto the power generation field. Following emigration to Australia, he worked within the mining industry in Engineering & Maintenance related roles for Monadelphous Engineering, Cyprus Gold, Arimco, Copper Mines of Tasmania, Pegasus Gold, Acacia Resources and WMCF Phosphate Hill.

Gerry subsequently moved overseas to work for AshantiGold in Guinea and Iluka Resources in the United States. Gerry was Group Engineering Manager for IAMGold before returning to Australia in 2007 and taking up a position as VP Engineering & Maintenance with Braemore Resources.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

None

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

None

Mr Craig Munro – Non-Executive Chairman, appointed 3 December 2009

EXPERIENCE AND EXPERTISE

Craig Munro (FCPA, FAusIMM) is a Certified Practising Accountant with over 35 years experience in the mining industry. He is currently Senior Vice President Corporate & Finance and Chief Financial Officer of Anvil Mining Limited. He has been both an Executive Director and Non Executive Director of a number of listed companies since 1990. He is currently a Director of Total Staffing Solutions Limited and was previously a Director of Gallery Gold Limited.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Total Staffing Solutions Limited – Director
Pegasus Metals Ltd – Non-Executive Chairman

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Gallery Gold Limited - Director

COMPANY SECRETARY

GRAHAM ANDERSON – COMPANY SECRETARY, APPOINTED 3 AUGUST 2009

Graham Anderson (Company Secretary)

Graham Anderson is a Chartered Accountant who operates his own specialist accounting and management consultancy practice. He is currently a Director and Company Secretary of a number of ASX Listed companies.

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Mr Richard Monti – Non-Executive Chairman, appointed 30 May 2007, resigned 4 September 2009.

EXPERIENCE AND EXPERTISE

Richard Monti has qualifications in Geology (Bachelor of Science with Honours from the University of Western Australia) and Finance (Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia).

He has gained broad experience over a twenty year career working in the technical, marketing and financial fields of the international exploration and mining industry. This experience includes exposure to a number of commodities including nickel, base metals, gold, coal, iron-ore, tin-tantalum, platinum group metals and industrial and heavy minerals.

Mr Monti has worked for a number of international and Australian companies including Anaconda Nickel, RTZ Exploration, the North Group and the Normandy Group. During a seven year term at Anaconda Nickel he held General Manager positions in technical, commercial and marketing fields. He has also held positions on the boards of a number of ASX listed and private mining companies. Mr Monti is a director of corporate advisory firm Ventnor Capital Pty Ltd. Ventnor Capital will provide office and administrative services to Bathurst Resources Limited.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Non-Executive Director, Poseidon Nickel Limited
Non-Executive Director, Whinnen Resources Limited
Executive Director, Transit Holdings Limited
Executive Director, Epsilon Energy Limited

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Non-Executive Director, Grand Gulf Energy Limited

Mr Frank Ashe – Non-Executive Director, appointed 26 October 2007, resigned 26 February 2009

Mr Ashe achieved the qualification of Chartered Accountant after working for a top-tier firm in Perth. From public sector accounting he accepted a role with a then Australian based mining and civil contractor with day-to-day financial responsibilities. Over the next 10 years his career developed into broader general management roles including 5 years in business establishment and development in several countries throughout Latin America and the Caribbean.

In 2001 he returned to Perth and worked directly in senior general executive roles for public companies in the primary industry and resources sectors. For the last 3 years Mr Ashe has been a private investor and has provided consulting services to public companies.

Mr Ashe is a director of AGI Strategic Pty Ltd, a management consulting firm.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

None.

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

None.

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Mr John Hannaford – Non-Executive Chairman, appointed 30 May 2007, resigned 26 February 2009

Mr Hannaford is a qualified Chartered Accountant who has worked in various corporate roles within the resources sector in Australia, Asia and Europe. He has been involved with a wide range of companies including listed oil and gas explorer and producers, oilfield construction groups and various gold and mineral exploration companies. In 2004, Mr Hannaford established Ventnor Capital Pty Ltd, to provide specialist corporate advice to companies within the resources sector. Prior to establishing Ventnor Capital, Mr Hannaford provided various administrative, corporate and strategic financial advice to resource companies and was a company secretary or financial controller for a number of these companies.

Mr Hannaford is a Fellow of the Financial Services Institute of Australasia, an Associate of the Institute of Chartered Accountants in Australia and holds a Bachelor of Commerce Degree.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Executive Director - Atlantic Limited
Executive Director - Emerald Oil & Gas NL
Non-Executive Director - Neurodiscovery Limited

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

None.

Mr Billy Shelton - Executive Director, appointed 8 September 2008 and resigned 9 October 2009.

EXPERIENCE AND EXPERTISE

Billy Shelton joined the Board following the acquisition of C&R Holding as an Executive Director in charge of the legal and permitting aspects of the Kentucky coal operations. Billy holds a BSc in mining engineering from the University of Kentucky and is a qualified lawyer and partner of Jones, Walters, Turner & Shelton, a Kentucky law firm based in Lexington Kentucky. He has extensive experience in legal aspects of Kentucky coal mining, in particular permitting, occupational health and workers' compensation aspects.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

None.

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

None.

Directors have been in office since the start of the year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

Bathurst Resources Limited ("Bathurst") principal activities are the exploration for and mining of coal, principally in the Appalachian coalfields of eastern United States of America.

RESULTS

The net loss of the Company for the year ended 30 June 2009 amounted to \$11,301,074.

OPERATING AND FINANCIAL REVIEW

During the year the Group has raised \$1,630,625 in proceeds from issue of shares.

The Group consolidated net loss for the year was \$11,301,074, (2008: \$259,961).

CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

SUBSEQUENT EVENTS

The Board advises that in Kentucky on 9 November 2009 a settlement agreement between Bathurst Resources Ltd and C&R Holding of Eastern Kentucky LLC ("C&R"), and the original vendors of C&R was executed which has the result of effectively reversing the acquisition of C&R which was first announced to ASX on 16 July 2008 and approved by shareholders at a general meeting held on 8 September 2008.

Significant matters contained in the settlement agreement are as follows:

- The Company transferred the ownership of C&R back to the original vendors as at 9 November 2009;
- The original vendors transferred the 58,900,001 shares they held in the Company back to the Company as at 9 November 2009. The Company cancelled these shares issued as consideration for the original purchase, and related matters;
- C&R will make a payment to Bathurst of US\$5,000,000 by way of a monthly 'royalty' equivalent to 2% of the Net Sales Price of coal sold during the preceding month by C&R and all Related Entities where the sales price, less applicable transport expense, exceeds US\$65.00 per ton;
- The Company will retain the Feds Creek Project in Pike County and all related permits;
- All parties agreed to release the other parties from any claims arising from the dispute, the original purchase agreement and other associated agreements.

FUTURE DEVELOPMENTS

Over the next 12 months the Company is actively evaluating a number of other advanced coal projects in the United States and elsewhere in the world.

ENVIRONMENTAL REGULATION

The Directors believe that the Company has, in all material respects, complied with all particular and significant environmental regulations relevant to its operations.

The Company's operations are subject to various environmental regulations under the Federal and State Laws of Australia. The majority of the Company's activities involve low level disturbance associated with exploration programs.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company has paid a premium of \$25,094 to insure the directors and secretary of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company.

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in ordinary shares, listed and unlisted options of the company were:

<i>Director</i>	Shares		Listed Options		Unlisted Options	
	<i>Held Directly</i>	<i>Held Indirectly</i>	<i>Held Directly</i>	<i>Held Indirectly</i>	<i>Held Directly</i>	<i>Held Indirectly</i>
H. Bohannan	-	5,645,000	-	-	-	2,400,000
G. Cooper	-	200,000	-	-	-	1,500,000
C. Griffith	800,000	-	-	-	-	-
C. Munro	-	-	-	-	-	-

MEETINGS OF DIRECTORS'

During the financial year, 12 meetings of directors were held with the following attendances:

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Directors	Meetings Attended	Meetings Eligible to Attend
F. Ashe	8	9
J. Hannaford	9	9
R. Monti	12	12
H. Bohannan	9	9
C. Griffith	4	4

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

Mr John Hannaford and Mr Frank Ashe resigned as directors of the Company on 26 February 2009. Mr Richard Monti retired as director and chairman of the Company on 4 September 2009. Mr Charles Griffith was appointed as a director on 18 February 2009. Mr Billy Shelton resigned as director and Mr Gerry Cooper was appointed as director on 9 November 2009.

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and key management personnel of the Company. The remuneration report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Director and senior management details
- C. Details of remuneration
- D. Service agreements
- E. Share-based compensation
- F. Additional information

The information provided under headings A-F includes remuneration disclosures that are required under Accounting Standard AASB 124 "Related Party Disclosures". These disclosures have been transferred from the financial report and have been audited. The disclosures in Section (F) are additional disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001 which have not been audited.

A. Principles used to determine the Nature and Amount of Remuneration (audited)

The remuneration policy of the Company has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel and directors to run and manage the Company. The key management personnel of the Company are the executive Directors and senior management personnel.

The Board's policy for determining the nature and amount of remuneration for Board members and key management personnel of the Company is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and key management personnel, was developed by the Board. The Board reviews key

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management personnel packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of key management personnel and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share and option arrangements.

As consultants, executive directors do not receive any superannuation contributions, or any other retirement benefits.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting (currently \$120,000). Fees for non-executive directors are not linked to the performance of the Company. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and are able to participate in employee option plans that may exist from time to time.

During the year there has not been a performance evaluation for senior executives who elected to take a 30% remuneration reduction due to the depressed condition of the coal market. The next review is expected to take place within the 2010 financial year.

Performance based remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and key management personnel. Currently, this is facilitated through the issue of options to key management personnel to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth.

B. Directors and senior management details

The following persons acted as directors or senior management during or since the end of the financial year.

Hamish Bohannan	Managing director (appointed 8 September 2008)
Billy Ray Shelton	Executive director (appointed 8 September 2008 and resigned 9 October 2009)
Charles Griffith	Non-executive director (appointed 18 February 2009)
John Hannaford	Non-executive director (resigned 26 February 2009)
Frank Ashe	Non-executive director (resigned 26 February 2009)
Richard Monti	Non-executive chairman (resigned 4 September 2009)
Gerry Cooper	Executive director (appointed 9 November 2009)
Craig Munro	Non-executive chairman (appointed 3 December 2009)

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The term "senior management" is used in this remuneration report to refer to the following persons. Except as noted the named persons held their current positions for the whole of the financial year and since the end of the financial year.

Gerry Cooper	Vice President of Operations
Ronnie Bowling	Operations Manager (resigned 9 November 2009)
Josh Ward	Company Secretary (resigned 3 August 2009)

C. Details of remuneration (audited)

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of Bathurst Resources Limited are set out in the following table.

Key management personnel of Bathurst Resources Limited

2009	Short Term Benefits		Post Employment Benefits	Share Based Payments	Total\$	% of remuneration consisting of options
	Salary and Fees ⁽¹⁾ \$	Non Monetary \$	Super-annuation \$	Options ⁽²⁾ \$		
Key Management Personnel						
Non-Executive Directors						
F. Ashe*	20,000				20,000	0%
J. Hannaford*	20,000		1,800		21,800	0%
R. Monti*	30,000		2,700		32,700	0%
C. Griffith	12,500				12,500	0%
Executive Directors						
B. Shelton*	24,417				24,417	
H. Bohannan	24,417			48,382	72,799	66.45%
Total	131,334		4,500	48,382	184,216	

*Has resigned as Director.

2008	Short Term Benefits		Post Employment Benefits	Share Based Payments	Total\$	% of remuneration consisting of options
	Salary and Fees ⁽¹⁾ \$	Non Monetary \$	Super-annuation \$	Options ⁽²⁾ \$		
Key Management Personnel						
Non-Executive Directors						
F. Ashe	16,048	-	-	48,314	64,362	75%
J. Hannaford	16,048	-	1,444	48,314	65,806	73%
Executive Directors						
R. Monti	16,048	-	1,444	48,315	65,807	73%
B. Shelton	-	-	-	-	-	-
H. Bohannan	-	-	-	-	-	-
Total	48,144	-	2,888	144,943	195,975	74%

D. Service Agreements (audited)

Upon appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the policies and terms, including compensation, relevant to the office of director.

Remuneration and other terms of employment for the Managing Director are formalised in a service agreement. The agreement provides for the participation, when eligible in the Bathurst Resources Employee Share Option Plan. Other major provisions of the agreement relating to remuneration are set out below.

Hamish Bohannan – Managing Director

- Term of agreement – ongoing subject to annual review
- Base salary including director fees, exclusive of superannuation, for the period ended 30 June 2009 of \$350,000, to be reviewed annually by the Board.
- Contract may be terminated on 3 months written notice by either party, or immediately on breach of certain contract terms. No termination benefits are payable by the Company.

Putsborough Holdings Pty Ltd as trustee for The Putsborough Holding Trust, an entity associated with Hamish Bohannan has been engaged to provide technical and corporate services.

- Term of agreement – ongoing subject to shareholder ratification at the Annual General Meeting.
- Remuneration is charged at \$1,400 exclusive of GST per day.
- Contract may be terminated on 3 months written notice by either party, or immediately on breach of certain contract terms. No termination benefits are payable by the Company.

E. Share Based Compensation (audited)

Details of the share based remuneration of the Directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Company are set out in the following table. The options were granted for no consideration. Options carry no dividend or voting rights.

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2009		Terms & Conditions for each Grant						Vested	
Granted									
No. Granted	Grant Date	Fair Value at Grant Date	Exercise Price per Option	Expiry Date	First Exercise Date	Last Exercise Date	No.	%	
Directors									
H. Bohannan	800,000	9/9/08	\$0.1578	\$0.42	1/9/11	9/9/09 ⁽¹⁾	1/9/11	-	-
H. Bohannan	800,000	9/9/08	\$0.1578	\$0.42	1/9/11	9/9/09 ⁽²⁾	1/9/11	-	-
H. Bohannan	800,000	9/9/08	\$0.1578	\$0.42	1/9/11	9/9/09 ⁽³⁾	1/9/11	-	-
Key Management Personnel									
G. Cooper/A. Yurisich	900,000	22/10/08	\$0.0615	\$0.42	31/10/11	31/10/09 ⁽¹⁾	31/10/11	-	-
G. Cooper/A. Yurisich	900,000	22/10/08	\$0.0778	\$0.42	31/10/12	31/10/10 ⁽²⁾	31/10/12	-	-
G. Cooper/ A. Yurisich	900,000	22/10/08	\$0.0915	\$0.42	31/10/13	31/10/11 ⁽³⁾	31/10/13	-	-

⁽¹⁾ Options have a price hurdle of \$0.60

⁽²⁾ Options have a price hurdle of \$0.80

⁽³⁾ Options have a price hurdle of \$1.00

2008		Terms & Conditions for each Grant						Vested	
Granted									
No. Granted	Grant Date	Fair Value at Grant Date	Exercise Price per Option	Expiry Date	First Exercise Date	Last Exercise Date	No.	%	
Directors									
F. Ashe	500,000	13/12/07	\$0.0966	\$0.25	31/12/10	13/12/07	31/12/10	500,000	100%
J. Hannaford	500,000	13/12/07	\$0.0966	\$0.25	31/12/10	13/12/07	31/12/10	500,000	100%
R. Monti	500,000	13/12/07	\$0.0966	\$0.25	31/12/10	13/12/07	31/12/10	500,000	100%
Issued to Ventnor Capital Pty Ltd	2,500,000	13/12/07	\$0.0966	\$0.25	31/12/10	13/12/07	31/12/10	2,500,000	100%

The model inputs for options granted during the year ended 30 June 2009 included:

Model Inputs	Key Management Personnel Options	Director Options
1. Options granted for no consideration:	2,750,000	2,400,000
2. Exercise price (cents):	0.35 & 0.42	42
3. Issue date:	22 October 2008	9 September 2008
4. Expiry date:	31 October 2011, 12 & 13	1 September 2011
5. Underlying security spot price at grant date (cents):	20	42
6. Expected price volatility of the company's shares:	75%	75%
7. Expected dividend yield:	0%	0%
8. Risk-free interest rate	6.00%	7.25%

F. Additional Information (un-audited)

Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance

The overall level of executive reward takes into account the performance of the Company over a number of years, with greater emphasis given to the current and prior year.

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SHARE OPTIONS

Shares under Option

At the date of this report there are 20,866,667 unissued shares under option outstanding.

Date Granted	Expiry Date	Exercise Price	Number shares under option
1 November 2007	31 December 2010	\$0.25	500,000*
13 December 2007	31 December 2010	\$0.25	2,500,000*
13 December 2007	31 December 2010	\$0.25	1,500,000*
13 December 2007	31 December 2010	\$0.25	250,000*
2 April 2008	31 December 2010	\$0.25	5,373,902
15 April 2008	31 December 2010	\$0.25	1,592,765
12 September 2008	1 September 2011	\$0.25	1,000,000*
12 September 2008	1 September 2011	\$0.42	2,400,000*
22 October 2008	31 October 2011	\$0.35	250,000*
22 October 2008	31 October 2011	\$0.42	500,000*
22 October 2008	31 October 2012	\$0.42	500,000*
22 October 2008	31 October 2013	\$0.42	500,000*
23 July 2009	30 June 2012	\$0.10	4,000,000*
			20,866,667

* Unlisted options

These options do not entitle the holders to participate in any share issue of the Company or any other body corporate. No shares were issued as a result of the exercise of an option.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

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During the year the following fees were paid or payable for services provided by the auditor.

	2009	2008
	\$	\$
<i>Audit Services</i>		
Amounts payable to auditor of the Company		
- Auditing or reviewing the financial report	46,750	20,500
<i>Other services</i>		
Review of acquisition of C &R Holding of Eastern Kentucky LLC.	2,750	550
	<u>49,500</u>	<u>21,050</u>

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 for the year ending 30 June 2009 has been received and can be found on page 19.

AUDITOR

WHK Horwath continues in office in accordance with section 327 of the Corporation Act 2001.

Signed in accordance with a resolution of the Directors.



Hamish Bohannan
Managing Director

Perth
30 December 2009

Corporate Governance Statement

The Board of Directors is responsible for the corporate governance of the Company. The Board guides and monitors the business activities and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the company's needs. The Corporate Governance Statement has been structured with reference to the Australian Stock Exchange Corporate Governance Council's ("Council") "Principles of Good Corporate Governance and Best Practice Recommendations" to the extent that they are applicable to the Company.

Information about the company's corporate governance practices are set out below.

THE BOARD OF DIRECTORS

The Company's Constitution provides that the number of Directors shall not be less than three. There is no requirement for any shareholding qualification.

If the Company's activities increase in size, nature and scope, the size of the Board will be reviewed periodically and the optimum number of Directors required to adequately supervise the Company's activities will be determined within the limitations imposed by the Constitution and as circumstances demand.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and application of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the full Board, subject to election by shareholders at the next annual general meeting. Under the Company's Constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporations Act, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director. A managing director may be appointed for the period and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the appointment may be revoked on notice.

The Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of other separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

APPOINTMENTS TO OTHER BOARDS

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

INDEPENDENT PROFESSIONAL ADVICE

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to Director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

RISK MANAGEMENT SYSTEMS

The identification and management of risk, including calculated risk-taking activity is viewed by management as an essential component in creating shareholder value.

Management, through the Chief Executive Officer is responsible for developing, maintaining and improving the Company's risk management and internal control system. Management provides the Board with periodic reports identifying areas of potential risks and the safeguards in place to efficiently manage material business risks. These risk management and internal control systems are in place to protect the financial statements of the entity from potential misstatement, and the Board is responsible for satisfying itself annually, or more frequently as required, that management has developed a sound system of risk management and internal control.

Strategic and operational risks are reviewed at least annually as part of the forecasting and budgeting process. The Company has identified and actively monitors a number of risks inherent in the industry in which the Company operates. These include:

- Fluctuations in coal prices
- Rights of tenure
- Depletion of reserves
- Fluctuations in demand for coal
- Loss of significant suppliers and customers
- Increasing cost of operations
- Changes in the regulatory environment
- Fluctuation in currency exchange rates between Australia and the US

These risk areas are provided to assist shareholders and potential investors to better understand the risks faced by our Company and the industry in which we operate, and are not an exhaustive list of the business risks faced by the Company.

Key operational risks such as OH&S and environmental risks are addressed regularly by management reports to the Board.

The Board also receives a written assurance from the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) that to the best of their knowledge and belief, the declaration provided to the Board in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control, and that the system is operating effectively in relation to financial reporting risks. The Board notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in internal control procedures.

CONTINUOUS REVIEW OF CORPORATE GOVERNANCE

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as Directors of the Company. Such information must be sufficient to enable the Directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The Directors recognise that minerals exploration is a business with inherent risks and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Company.

ASX PRINCIPLES OF GOOD CORPORATE GOVERNANCE

The Board has reviewed its current practices in light of the ASX Principles of Good Corporate Governance and Best Practice Guidelines 2004 with a view to making amendments where applicable after considering the Company's size and the resources it has available.

As the Company's activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

Bathurst Resources Ltd and its Controlled Entities
ACN: 125 679 469

The following table sets out the ASX Corporate Governance Guidelines with which the Company does not comply as at 30 June 2009:

ASX Principle	Reference/comment
Principle 2: Structure the board to add value	
2.1 A majority of the Board should be independent Directors.	Given the Company's background, the nature and size of its business and the current stage of its development, the Board comprises four Directors, two of whom are non-executive and independent. The Board is actively recruiting a fifth director who should be non executive and independent. The Board believes the alignment of the interests of Directors with those of shareholders as being the most efficient way to ensure shareholders interests are protected. The Board believes that this is both appropriate and acceptable at this stage of the Company's development.
2.2 The Chairperson should be an independent director	The previous Chairman was not independent under the definition in the ASX Corporate Governance Guidelines. The Board has recruited an independent fourth director who has been appointed as non executive chairman.
2.4 The Board should establish a nomination committee	The Board has no formal nomination committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for, screening and appointing new Directors. In view of the size and resources available to the Company, it is not considered that a separate nomination committee would add any substance to this process.
Principle 4: Safeguard integrity in financial reporting	
4.1 – 4.4 The Board should establish an audit committee	The Company does not have an Audit Committee. The Board believes that, with only 4 Directors on the Board, the Board itself is the appropriate forum to deal with this function.
Principle 8: Remunerate fairly and responsibly	
8.1 The Board should establish a remuneration committee	Given the current size of the Board, the Company does not have a remuneration committee. The Board as a whole reviews remuneration levels on an individual basis, the size of the company making individual assessment more appropriate than formal remuneration policies. In doing so, the Board seeks to retain professional services as it requires, at reasonable market rates, and seeks external advice and market comparisons where necessary.
8.2 Companies should clearly distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives.	The Board acknowledges the grant of options to Directors' is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of Director Options to be necessary to attract and retain the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves;

Auditor's Independence Declaration



AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Bathurst Resources Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

WHK HORWATH PERTH AUDIT PARTNERSHIP

SEAN MCGURK
Principal

Perth, WA

Dated this 30th day of December 2009

Total Financial Solutions



Horwath refers to Horwath International Association, a Swiss entity.
Each member of the Association is a separate and independent legal entity.

Member Horwath International

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A WHK Group firm

Bathurst Resources Ltd and its Controlled Entities
ACN: 125 679 469

Statement of Resources and Reserves

('000s metric tons)

Mine/Project	Mining Method	Measured Resource	Indicated Resource	Inferred Resource	Total Resource	Proved Reserve	Probable Reserve	Total Coal Reserves	Total Marketable Reserve
Tarkiln	Mountain top removal	20.3	-	-	20.3	264.8	24.2	289.0	289.0
Feds Creek	Contour strip, auger highwall miner	302.6	67.8	-	370.4	120.8	-	120.8	120.8
Mill Creek	Open cut/contour and auger	-	-	-	-	-	-	-	-
Gibraltar	Open cut/contour	-	-	-	-	-	-	-	-
TOTAL		322.9	67.8	-	390.7	385.6	24.2	409.8	409.8

Notes to be read in conjunction with this JORC Statement:

- Resources and Reserves are reported as at 7 September 2008 and are in accordance with the 2004 Australasian Code for Reporting Identified Mineral Resources and Ore Reserves ("JORC Code"). All figures reported are on a 100% holding basis.
- The Measured and Indicated Resources are not included in the Proved and Probable Reserves.
- The above table has been compiled from Resource and Reserve estimate reports prepared by Competent Persons (considered suitably experienced under the JORC Code). The Competent Persons consent to the inclusion in this Statement of matters based on their work in the form and context in which it appears. The Competent Person who has prepared the estimates is Mr Ken W Fishel of Stagg Resource Consultants, Inc,
- For all mines, Total Coal Reserves and Marketable Reserves are reported on a 100% yield basis as raw coal from these mines is considered to be 100% marketable. Coal preparation facilities are not required to enhance product specifications and hence Marketable Reserves are equal to Total Coal Reserves.
- Reserves and marketable reserves are quoted on an "as-received" moisture basis.

Bathurst Resources Ltd and its Controlled Entities
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Income Statement

For the year ended 30 June 2009

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
Revenue from continuing operations	4	20,506,044	112,068	854,166	112,068
Cost of sales		(17,817,490)	-	-	-
Employee expenses		(3,750,050)	(220,549)	(355,263)	(220,549)
Administration expenses		(2,479,079)	(147,308)	(739,680)	(147,308)
Loss on foreign exchange		(20,786)	(4,172)	(18,358)	(4,172)
Depreciation and amortisation expense		(3,848,919)	-	(1,220)	-
Finance costs		(267,326)	-	(23,985)	-
Due diligence expenses		(380,114)	-	(380,114)	-
Impairment losses		(1,904,103)	-	(9,583,059)	-
Other expenses		(1,339,251)	-	(669,661)	-
Loss before income tax expense	5	<u>(11,301,074)</u>	<u>(259,961)</u>	<u>(10,917,174)</u>	<u>(259,961)</u>
Income tax expense	6	-	-	-	-
Net loss attributable to members of the Company		<u>(11,301,074)</u>	<u>(259,961)</u>	<u>(10,917,174)</u>	<u>(259,961)</u>
Basic loss per share (cents per share)	8	(22.24)	(2.03)	(21.49)	(2.03)
Diluted loss per share (cents per share)	8	(22.24)	(2.03)	(21.49)	(2.03)

The above Income Statement should be read in conjunction with the accompanying notes.

Bathurst Resources Ltd and its Controlled Entities
ACN: 125 679 469

Balance Sheet

As at 30 June 2009

	Note	Consolidated		Parent	
		2009	2008	2009	2008
		\$	\$	\$	\$
ASSETS					
Current assets					
Cash and cash equivalents	9	242,967	2,297,260	5,332	2,297,260
Trade and other receivables	10	173,065	17,240	30,774	17,240
Other assets	11(a)	68,887	-	-	-
Other financial assets	11(b)	1,004,850	737,033	8,772,551	737,033
Total current assets		1,489,769	3,051,533	8,808,657	3,051,533
Non-current assets					
Property, plant and equipment	12	5,676,489	-	3,439	-
Mine development costs	15	4,286,011	-	-	-
Exploration and evaluation expenditure	14	9,081,917	55,762	-	55,762
Total non-current assets		19,044,417	55,762	3,439	55,762
TOTAL ASSETS		20,534,186	3,107,295	8,812,096	3,107,295
LIABILITIES					
Current liabilities					
Trade and other payables	16	4,334,601	85,931	975,774	85,931
Borrowings	17	2,868,715	-	589,228	-
Total current liabilities		7,203,316	85,931	1,565,002	85,931
Non-current liabilities					
Borrowings	17	5,173,705	-	-	-
Long term provisions	18	394,252	-	-	-
Deferred tax liabilities	19	-	-	-	-
Total non-current liabilities		5,567,957	-	-	-
TOTAL LIABILITIES		12,771,273	85,931	1,565,002	85,931
NET ASSETS		7,762,913	3,021,364	7,247,094	3,021,364
EQUITY					
Issued capital	20	17,542,672	2,751,522	17,542,672	2,751,522
Reserves	21	1,781,276	529,803	881,558	529,803
Accumulated losses		(11,561,035)	(259,961)	(11,177,136)	(259,961)
TOTAL EQUITY		7,762,913	3,021,364	7,247,094	3,021,364

The above Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2009

**2009
Consolidated
Group**

	Note	Issued Capital \$	Option Reserve \$	Foreign Exchange Reserves	Accumulated Losses \$	Total Equity \$
Total equity at the beginning of the period		2,751,522	529,803	-	(259,961)	3,021,364
Loss for the period		-	-	-	(11,301,074)	(11,301,074)
Total recognised income and expense for the period		-	-		(11,301,074)	(11,301,074)
Transactions with equity holders:						
Contributions of equity, net of transaction costs	20	14,430,625	-	-	-	14,430,625
Capital raising costs	20	(68,142)	-	-	-	(68,142)
Share-based payments	24	420,000	352,088	-	-	772,088
Exercise of options		8,667	(333)	-	-	8,334
Foreign translation loss		-	-	899,718	-	899,718
Total equity at 30 June 2009		17,542,672	881,558	899,718	(11,561,035)	(7,762,913)

Statement of Changes in Equity

For the year ended 30 June 2009

2008 Consolidated Group

	Note	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
Total equity at the beginning of the period		2	-	-	2
Loss for the period		-	-	(259,961)	(259,961)
Total recognised income and expense for the period		-	-	(259,961)	(259,961)
Transactions with equity holders:					
Contributions of equity, net of transaction costs	20	3,315,000	-	-	3,315,000
Capital raising costs	20	(563,480)			(563,480)
Share-based payments	24	-	459,803	-	459,803
Issue of options		-	70,000	-	70,000
Total equity at 30 June 2008		2,751,522	529,803	(259,961)	3,021,364

Statement of Changes in Equity

For the year ended 30 June 2009

2009 Parent Entity

	Note	Issued Capital \$	Option Reserve \$	Foreign Exchange Reserves	Accumulated Losses \$	Total Equity \$
Total equity at the beginning of the period		2,751,522	529,803	-	(259,961)	3,021,364
Loss for the period		-	-	-	(10,917,174)	(10,917,174)
Total recognised income and expense for the period		-	-		(10,917,174)	(10,917,174)
Transactions with equity holders:						
Contributions of equity, net of transaction costs	20	14,430,625	-	-	-	14,430,625
Capital raising costs	20	(68,142)	-	-		(68,142)
Share-based payments	24	420,000	352,088	-	-	772,088
Exercise of options		8,667	(333)	-		8,334
Foreign translation loss		-	-	-	-	-
Total equity at 30 June 2009		17,542,672	881,558	-	(11,177,135)	7,247,095

Statement of Changes in Equity

For the year ended 30 June 2009

2008 Parent Entity

	Note	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
Total equity at the beginning of the period		2	-	-	2
Loss for the period		-	-	(259,961)	(259,961)
Total recognised income and expense for the period		-	-	(259,961)	(259,961)
Transactions with equity holders:					
Contributions of equity, net of transaction costs	20	3,315,000	-	-	3,315,000
Capital raising costs	20	(563,480)			(563,480)
Share-based payments	24	-	459,803	-	459,803
Issue of options		-	70,000	-	70,000
Total equity at 30 June 2008		2,751,522	529,803	(259,961)	3,021,364

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Bathurst Resources Ltd and its Controlled Entities
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Cash Flow Statement

For the year ended 30 June 2009

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Cash flows from operating activities</i>				
Receipts from customers	20,487,119			
Interest received	43,781	108,633	36,562	108,633
Payments to suppliers and employees	(21,282,561)	(130,066)	(845,935)	(130,066)
Interest and other finance cost paid	(267,326)	-	(23,985)	-
Net cash used in operating activities	25 (1,018,987)	(21,433)	(833,358)	(21,433)
<i>Cash flows from investing activities</i>				
Payments for exploration expenditure	(2,297)	(55,762)	(2,297)	(55,762)
Payments for equipment	(69,586)	(110,287)	(4,660)	(110,287)
Payments for bonds	(491,928)	(627,484)	-	(627,484)
Payments for equipment leases	(1,217,980)	-	-	-
Net cash paid on acquisition of subsidiary	23 (1,718,352)	-	(594,152)	-
Net cash used in investing activities	(3,500,143)	(793,533)	(601,109)	(793,533)
<i>Cash flows from financing activities</i>				
Proceeds from issues of shares	1,630,625	3,315,000	1,630,625	3,315,000
Proceeds from Directors loan and coal loan	935,776	-	-	-
Proceeds from issue of options		70,000	-	70,000
Capital raising costs	(67,587)	(272,776)	(67,587)	(272,776)
Proceeds from exercise of options	8,333	-	8,333	-
Proceeds from related entity loans	-	-	6,950	-
Factoring costs	(77,220)	-	-	-
Payments to related entity loans	-	-	(2,435,782)	-
Borrowing repayments	(492,975)	-	-	-
Net cash flows provided by financing activities	1,936,952	3,112,224	(857,461)	3,112,224
Net decrease in cash and cash equivalents	(2,582,178)	2,297,258	(2,291,928)	2,297,258
Cash and cash equivalents at the beginning of the period	9 2,297,260	2	2,297,260	2
Exchange rate effects on cash	527,885	-	-	-
Cash and cash equivalents at the end of the period	9 242,967	2,297,260	5,332	2,297,260

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2009

NOTE 1: REPORTING ENTITY

Bathurst Resources Ltd (the "Company") is a company domiciled in Australia. The financial report of the Company as at and for the year ended 30 June 2009 comprises Bathurst Resources Limited and its controlled entities (Consolidated Entity or "Group").

NOTE 2 – STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the Corporations Act 2001.

This financial report was approved by the Board of Directors on XX September 2009.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

A. Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Notes to the Financial Statements

For the year ended 30 June 2009

B. Going Concern

The Group incurred a net loss of \$11,301,074 for the year ended 30 June 2009 and, as of that date, the Group's current liabilities exceeded its current assets by \$5,713,547.

The financial statements have been prepared on the going concern basis, which assumes that the Group will be able to meet its commitments, realise its assets and discharge its liabilities in the ordinary course of business. This status is dependent upon the Group being able to generate commercial levels of cash flow from its continuing coal assets, or on being able to raise further capital.

If this does not occur, the going concern basis may not be appropriate and the Group may have to realise assets and extinguish liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report

C. Principles of Consolidation

The consolidated financial statements comprise the financial statements of Bathurst Resources Limited and its subsidiaries as at 30 June 2009.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity

Notes to the Financial Statements

For the year ended 30 June 2009

D. Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

E. Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

F. Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes direct materials only.

G. Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is either written off as incurred or accumulated in respect of each identifiable area of interest. Costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area (or, alternatively by its sale) or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and above operations in relation to the area are continuing.

Notes to the Financial Statements

For the year ended 30 June 2009

Accumulated costs in relation to an abandoned area are written off in full against profit in the period in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

H. Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability

I. Impairment of Assets

Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

Notes to the Financial Statements

For the year ended 30 June 2009

J. Foreign Currency Translation and Balances

(i) Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Translation of Group Companies functional currency to presentation currency

The results of the United States subsidiaries are translated into Australian Dollars as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at balance date. Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

K. Share-based Payments

The Company provides payment to related parties in the form of share-based compensation, whereby related parties render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black & Scholes method. The Black-Scholes option pricing model takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non market vesting conditions. Non market vesting conditions are considered when forming assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant parties become fully entitled to the award ('vesting date').

Notes to the Financial Statements

For the year ended 30 June 2009

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

L. Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

M. Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue from the sale of goods is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to customer, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and when title has passed.

(ii) Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

N. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except; where the GST incurred on a purchase of goods and services is not recoverable from the taxation authorities, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense item as applicable and receivables and payables in the balance sheet are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Notes to the Financial Statements

For the year ended 30 June 2009

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

O. Mining and development properties

Mining and development properties include the cost of acquiring and developing mining properties, mineral rights and exploration, evaluation and development expenditure carried forward relating to areas where production has commenced. These assets are amortised using the unit of production basis over the economically recoverable reserves. Amortisation starts from the date when commercial production commences.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

P. Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- a. the amount at which the financial asset or financial liability is measured at initial recognition;
- b. less principal repayments;
- c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*;
and
- d. less any reduction for impairment.

Notes to the Financial Statements

For the year ended 30 June 2009

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Held-to maturity in investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

Notes to the Financial Statements

For the year ended 30 June 2009

Q. Other Receivables

Other receivables, which generally have 30-90 day terms, are recognised and carried at fair value and subsequently at amortised cost less a provision for any uncollectible amounts.

Collectibility of other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms or receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

R. Issued Capital

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

S. Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

T. Earnings per Share

i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

U. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Notes to the Financial Statements

For the year ended 30 June 2009

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20-33%
Leased plant and equipment	14-20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

V. Early adoption of accounting standards

Early adoption of accounting standards

The Group has elected to early adopt the following accounting standard for reporting period beginning 1 July 2008:

- AASB 3 Business Combinations (March 2008).

As a consequence, the Group has also early adopted AASB 127 Consolidated and Separate Financial Statements (as amended in March 2008).

Early adoption of this standard will have no impact to the comparatives in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

Notes to the Financial Statements

For the year ended 30 June 2009

W. Critical Accounting Estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

Key Estimates – Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

X. New Accounting Standards for Application in Future Periods

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards, with the exception of AASB 3: Business Combinations. A discussion of those future requirements and their impact on the Group follows:

- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, 6, 102, 107, 119, 127, 134, 136, 1023 & 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purpose of decision making. While the impact of this standard can not be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe that impairment losses will result from this change.
- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

Notes to the Financial Statements

For the year ended 30 June 2009

- AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, 101, 107, 111, 116 & 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined there will be no effect on the Group as the Group currently has no qualifying assets.
- AASB 2008-1: Amendments to Australian Accounting Standard – Share Based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only, Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or another party.
- AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

The Group does not anticipate early adoption of any of the above reporting requirements except AASB 3: Business Combinations and does not expect the requirements of the other new accounting standards to have any material affect on the Group's financial statements.

Y. PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Bathurst Resources Ltd and its Controlled Entities
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NOTE 4 – REVENUE

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Revenue				
Sale of Coal	20,462,263	-	-	-
Interest Revenue	43,781	108,634	854,166	108,634
Interest Accrued on deposit	-	3,434	-	3,434
Total Revenue	20,506,044	112,068	854,166	112,068

NOTE 5 – PROFIT FOR THE YEAR

The following expense items are relevant in explaining the financial performance for the year:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Expenses				
Cost of sales	17,817,490	-	-	-
Employee costs	3,750,050	220,549	355,263	220,549
Foreign currency losses	20,786	4,172	18,358	4,172
Bad and doubtful debts:				
— trade receivables	669,590	-	-	-
Due diligence expenses	380,114	-	380,114	-
Facilitation fees	669,590	-	669,590	-
Depreciation expense	954,214	-	1,220	-
Amortisation expense	2,894,709	-	-	-
Impairment of mine development asset	1,846,044	-	-	-
Impairment of loans receivables	-	-	9,583,059	-

Bathurst Resources Ltd and its Controlled Entities
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NOTE 6 – INCOME TAX

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
The prima facie income tax expense on pre-tax accounting profit is reconciled to the income tax expense in the financial statements as follows:				
Profit/(Loss) before income tax	(11,301,074)	(259,961)	(10,917,174)	(259,961)
Income tax benefit calculated at 30% of loss	(3,390,322)	(77,988)	(3,275,152)	(77,988)
Add: Non-deductible items	446,662	3,525	18,357	3,525
Less: Items deductible for tax purposes	(38,586)	(50,537)	(38,586)	(50,537)
Income tax benefit attributable to operating activities	(2,982,246)	(125,000)	(3,295,381)	(125,000)
Tax effect of losses carried forward	2,982,246	125,000	(3,925,381)	125,000
Income tax expense	-	-	-	-
Deferred tax assets				
Deductible temporary differences (recognised)	4,010,378	16,729	-	16,729
Unused tax losses (not recognised)	(4,010,378)	108,272	-	108,272
	-	125,001	-	125,001

The Company has estimated carried forward tax losses of \$7,887,713 (2008: \$416,669) available to be offset against future years taxable income. Deferred tax assets arising from tax losses have been brought to account to the extent that they net off from deferred tax liabilities. No further deferred tax assets have been brought to account.

NOTE 7 – DIVIDENDS

No dividend was paid or declared during the financial year and the Directors do not recommend the payment of a dividend.

Bathurst Resources Ltd and its Controlled Entities
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NOTE 8 – EARNINGS PER SHARE

	Consolidated		Parent	
	2009	2008	2009	2008
Basic earnings per share - cents	(22.24)	(2.03)	(21.49)	(2.03)
Diluted earnings per share - cents	(22.24)	(2.03)	(21.49)	(2.03)
Earnings used in the calculation of basic and dilutive EPS	(11,301,074)	(259,962)	(10,917,174)	(259,962)
Weighted average number of ordinary shares outstanding during the period used in calculation of basic and dilutive EPS.	50,794,034	12,830,137	50,794,034	12,830,137

There are 16,866,667 options outstanding at 30 June 2009 which are not considered potential ordinary shares and are therefore not dilutive.

NOTE 9 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash at bank	242,967	2,297,260	5,332	2,297,260

NOTE 10 – TRADE AND OTHER RECEIVABLES

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Trade Debtors	142,293	-	-	-
GST receivable	30,772	17,240	30,774	17,240
	<u>173,065</u>	<u>17,240</u>	<u>30,774</u>	<u>17,240</u>

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

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NOTE 10 – TRADE AND OTHER RECEIVABLES

	Gross amount \$	Past due and impaired \$	Past due but not impaired (days overdue)			Within initial trade terms \$
			< 30 \$	31– 60 \$	61– 90 \$	
2009						
Trade and term receivables	142,293	-	142,293	-	-	-

NOTE 11(a)– OTHER ASSETS

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Other assets				
Prepayments	68,887	-	-	-
	<u>68,887</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTE 11(b)– OTHER FINANCIAL ASSETS

	Consolidated		Parent	
	2009 \$	2008 \$	2009 \$	2008 \$
Other financial assets				
Loan to Bathurst Resources USA LLC (a)	-	626,746	16,332,789	626,746
Capitalised acquisition costs	-	110,287	-	110,287
Loan to C & R Holdings of Eastern Kentucky LLC (b)	-	-	1,964,762	-
Bonds	1,004,850	-	-	-
Impairment of Loans Receivable	-	-	(9,525,000)	-
	<u>1,004,850</u>	<u>737,033</u>	<u>8,772,551</u>	<u>737,033</u>

(a) Intercompany loan agreement between Bathurst Resources Ltd and Bathurst Resources USA LLC with terms of 5.75% fixed interest rate and monthly repayment of \$30,000. The Company have agreed to waiver repayments until January 2010.

(b) Intercompany loan agreement between Bathurst Resources Ltd and C & R Holdings of Eastern Kentucky LLC with terms of 10% fixed interest rate and monthly repayment of \$100,000. The Company have agreed to waiver repayments until July 2010.

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
PLANT AND EQUIPMENT				
Plant and equipment:				
At cost	6,579,998	-	4,660	-
Accumulated depreciation	(903,509)	-	(1,221)	-
	<u>5,676,489</u>	<u>-</u>	<u>3,439</u>	<u>-</u>
Total Plant and Equipment	<u>5,676,489</u>	<u>-</u>	<u>3,439</u>	<u>-</u>

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Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and end of the current financial year.

	Plant and Equipment	Total
	\$	\$
Consolidated Group:		
Balance at 30 June 2008	-	-
Additions	4,660	4,660
Additions through acquisition of entity	5,335,230	5,335,230
Depreciation expense	(733,337)	(733,337)
Foreign exchange movements	1,069,936	1,069,936
Balance at 30 June 2009	5,676,489	5,676,489
Parent Entity:		
Balance at 30 June 2008	-	-
Additions	4,660	4,660
Depreciation expense	(1,220)	(1,220)
Balance at 30 June 2009	3,440	3,440

NOTE 13 – CONTROLLED ENTITIES

(a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)	
		2009	2008
Subsidiaries of Bathurst Resources Limited:			
Bathurst Resources USA, LLC	USA	100%	-
C & R Holding of Eastern Kentucky, LLC	USA	100%	-
Advance Energy II, LLC	USA	100%	-

(b) Summary of Acquisition

On 8 September 2008, Bathurst acquired 100% of the issued share capital of C&R Holding of Eastern Kentucky, LLC through its wholly owned subsidiary, Bathurst Resources USA, LLC. The purchase was satisfied by the issue of 32,000,000 ordinary shares at a deemed issue price of \$0.40 each and the payment of US\$2,400,000. The issue was based on the market price at the date of purchase.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	\$
Purchase consideration	
Cash	2,793,314
Shares	12,800,000
Total purchase consideration	15,593,314
Fair value of assets acquired	15,593,314

Bathurst Resources Ltd and its Controlled Entities
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NOTE 13 – CONTROLLED ENTITIES

(c) Purchase consideration

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Outflow of cash to acquire subsidiary, net of cash acquired				
Cash consideration	2,793,314	-	2,793,314	-
Less: balances acquired				
Cash	(574,515)	-	-	-
Outflow of cash	<u>2,218,799</u>	<u>-</u>	<u>2,793,314</u>	<u>-</u>

(d) Assets and liabilities acquired

	Acquiree's	Fair Value
	Carrying Value	
	\$	\$
Cash	574,515	574,515
Receivables	845,788	845,788
Other assets	674,739	674,739
Property, plant and equipment	6,380,440	6,380,440
Capitalised mining assets	674,268	17,158,941
Trade and other payables	(1,725,009)	(1,725,009)
Lease liabilities	(6,152,453)	(6,152,453)
Other financial liabilities	(2,163,647)	(2,163,647)
	<u>(891,359)</u>	<u>15,593,314</u>

NOTE 14 – EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Costs carried forward in respect of:				
Exploration and evaluation expenditure, at cost	<u>9,081,917</u>	<u>-</u>	<u>55,762</u>	<u>-</u>

Reconciliation:

A reconciliation of the carrying amounts of exploration and evaluation expenditure is set out below:

Carrying amount at start of period	55,762	-	55,762	-
Additions	9,084,214	55,762	2,297	55,762
Impairment of exploration expenditure	(58,059)		(58,059)	
Carrying amount at end of period	<u>9,081,917</u>	<u>55,762</u>	<u>-</u>	<u>55,762</u>

Assessment of Impairment

Mt Clifford Project

As a result of concentrating on the enhancement of coal production in C & R, the Company had decided to relinquish all of its interest in this project on 8th October 2008. Therefore the Board had decided to reduce the carrying value of the investment to nil resulting in an impairment loss of \$58,059.

NOTE 15 – MINE DEVELOPMENT COSTS

Year ended 30 June 2009

Balance at the beginning of year	-
Additions	-
Internal development	-
Acquisitions through business combinations	7,117,657
Disposals	-
Amortisation charge	(2,142,108)
Impairment losses	(1,846,044)
Foreign exchange movement	1,156,506
Closing value at 30 June 2009	4,286,011

Impairment Loss

Background

In the financial year ending 30 June 2009 the Company relinquished all of its interest in the Mount Clifford project of Western Australia and wholly acquired its subsidiary C & R Holdings of Eastern Kentucky LLC ("C & R") and. C & R is a company registered in the USA with operating coal mining assets.

The Fair Value at the date of acquisition of C & R was \$15,593,314.

C & R Holdings of Eastern Kentucky LLC ("C & R")

Assessment of Impairment

Mine development costs are carried at cost less accumulated amortization and accumulated impairment losses. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognized to the extent that the recoverable amount is lower than the carrying amount.

An impairment of \$1,846,044 was recognized for the mine development assets for the 2009 financial year and the impairment loss has been recognized in the income statement. This had resulted in a net carrying value after impairment of \$4,286,011. The mine development costs impaired relates to the Tarkiln mine assets held by C & R in USA.

The recoverable amount was calculated based on the value in use method using cash flow projections based on the financial budget approved by the Board covering a period of 5 years. This budget uses historical operating costs and gross margins over the period which is consistent with the nature of the coal industry currently.

The pre tax, risk free discount rate applied to the cash flow projections is 20%.

The main contributing factor to the impairment was the decline in coal prices as a result of the economic downturn during the financial year.

The key assumptions used in the calculation of the impairment for the Tarkiln mine are:

- 1) Thermal coal price of \$56 USD
- 2) Average Unit Cost of \$45 USD
- 3) Average Revenue per ton of \$52 USD
- 4) Gross Margin per ton of \$7 USD
- 5) 100% conversion of resources to reserves
- 6) Exchange rate of A\$1: US\$0.8114

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NOTE 16 – TRADE AND OTHER PAYABLES

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Trade payables	2,179,388	71,307	278,567	71,307
Sundry payables and accrued expenses	1,521,881	14,624	63,875	14,624
Amount due under acquisition of C & R Holdings of Kentucky	633,332	-	633,332	-
	<u>4,334,601</u>	<u>85,931</u>	<u>975,774</u>	<u>85,931</u>

NOTE 17 - BORROWINGS

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
CURRENT				
Unsecured liabilities				
Notes payable to third parties (a)	1,036,967	-	-	-
Lease liability (b)	1,242,520	-	-	-
Directors loans(c)	589,228	-	589,228	-
Total current borrowings	<u>2,868,715</u>	<u>-</u>	<u>589,228</u>	<u>-</u>
NON-CURRENT				
Unsecured liabilities				
Notes payable to third parties (a)	1,328,925	-	-	-
Lease liability (b)	3,844,780	-	-	-
Total non-current borrowings	<u>5,173,705</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total borrowings	<u>8,042,420</u>	<u>-</u>	<u>589,228</u>	<u>-</u>

(a) Notes payable to third parties are between C & R Holdings of Eastern Kentucky LLC and the following:

Emeco Equipment (USA) LLC – 12% Fixed annual interest rate.

Virginia Drilling Inc – 9% Fixed annual interest rate.

Kentucky Energy Sales – 8% Fixed annual interest rate.

The above notes payable are debt servicing agreements and there are no underlying security used to secure the debt.

(b) Lease liabilities are secured by the underlying leased assets and interest ranges at a fixed rate of 3 – 8.5% per annum is charged on the outstanding balances.

(c) Directors loans are unsecured and charged at an interest rate of 10% per annum on an arms length basis, there are agreed set repayment terms.

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NOTE 18 – LONG TERM PROVISIONS

Provision for Mine Restoration

A provision has been recognised for the costs to be incurred for the restoration of the mining sites used for the mining of coal. It is anticipated that the mine will require restoration within 7 years. A discount rate adjusted to reflect the risk inherent in the mining operation has been applied.

	Mine Restorations	Total
	\$	\$
Consolidated Group		
Opening balance at 1 July 2008	-	-
Additional provisions	369,470	369,470
Amounts used	-	-
Unused amounts reversed	-	-
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	24,782	24,782
Balance at 30 June 2009	<u>394,252</u>	<u>394,252</u>

NOTE 19 - TAX

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Deferred Tax Liabilities				
- Mine development & EED	(4,010,378)	(16,729)	-	(16,729)
Deferred Tax Assets				
- Arising from tax losses	4,010,378	16,729	-	16,729
Balance at 30 June	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTE 20 - ISSUED CAPITAL

2009	Number of Shares	\$
(a) Issued and Paid Up Capital		
Fully paid ordinary shares	<u>66,335,834</u>	<u>17,542,672</u>
(b) Movements in fully paid shares on issue		
Opening balance 1 July 2007	2	2
Issue of shares at \$0.005	2,999,998	15,000
Issue of shares at \$0.10	3,000,000	300,000
Issue of shares at \$0.20	15,000,000	3,000,000
Capital raising costs	-	(563,480)
Balance at 30 June 2008	<u>21,000,000</u>	<u>2,751,522</u>
Exercise of options	33,333	8,667
Issue of shares at \$0.32	3,150,000	1,008,000
Issue of shares at \$0.38	500,000	190,000
Issue on acquisition of subsidiary	32,000,001	12,800,000
Issue of shares to facilitator	1,000,000	420,000
Issue of shares at \$0.05	8,652,500	432,625
Capital raising costs	-	(68,142)
Total fully paid shares on issue	<u>66,335,834</u>	<u>17,542,672</u>

(c) Options

For information relating to share options issued to key management personnel during the financial year, refer to Note 24 Share-based Payments.

(d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. Given the stage of the Company's development there are no formal targets set for return on capital. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

NOTE 21 – RESERVES

Nature and purpose of reserves

1) Options reserve

The options reserve is used to recognise the fair value of options issued but not exercised.

NOTE 22 – RELATED PARTY TRANSACTIONS

Transactions with related parties

Ventnor Capital Pty Ltd, a company of which Mr John Hannaford and Mr Richard Monti are directors, was paid rent, general administration and CFO services, company secretarial fees and corporate advisory fees during the period. These services were provided on normal commercial terms and conditions. A summary of the total fees paid or payable to Ventnor Capital Pty Ltd during the period is as follows:

	2009	2008
	\$	\$
Rent, general administration and CFO Services	82,500	32,097
Company secretarial fees	121,120	44,584
Corporate advisory - fees	10,000	44,000
Brokerage	3,414	47,600
Total	217,034	168,281

The total amount of fees due to Ventnor Capital as at 30 June 2009 was \$127,778 (2008: \$62,409).

Eficaz Pty Ltd, a company of which Mr Frank Ashe is a Director and shareholder, was paid directors fees totalling \$20,000 during the period.

Putsborough Holdings Pty Ltd, a company of which Mr Hamish Bohannan has a beneficial interest, was paid consulting and directors fees of \$306,850(2008: Nil). The total amount of fees due to Putsborough Holdings at 30 June 2009 was \$93,723 (2008: Nil).

Transactions with other related parties are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

NOTE 23 – KEY MANAGEMENT PERSONNEL

Share holdings of key management personnel

The number of ordinary shares of Bathurst Resources Limited held, directly, indirectly or beneficially, by each director, including their personally-related entities as at balance date and the date of this report is as follows:

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Directors	Held at beginning of year	Movement during period	Options Exercised	Held at 30 June 2009
Directors				
C. Griffith	-	0	-	0
H. Bohannan	-	545,000	-	545,000
B. Shelton	-	10,666,667	-	10,666,667
Total	0	11,211,667	-	11,211,667

NOTE 24- SHARE BASED PAYMENTS

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	2009	2008
	\$	\$
Shares issued to unrelated parties in consideration for services	420,000	-
Options issued to unrelated parties in consideration for services	249,660	49,130
Options issued to Directors, officers and Corporate Advisors	111,700	410,673
Options cancelled on cessation of employment	(9,342)	-
	772,018	459,803

Options issued were all unlisted options and the details are below:

Date Granted	Expiry Date	Exercise Price	Number at beginning of year	Issued during the year	Exercised	Forfeited	Number at end of year
7/11/07	31/12/10	\$0.25	500,000	-	-	-	500,000
13/12/07	31/12/10	\$0.25	4,250,000	-	-	-	4,250,000
9/9/08	1/9/11	\$0.42	-	2,400,000	-	-	2,400,000
12/9/08	1/9/11	\$0.25	-	1,000,000	-	-	1,000,000
22/10/08	31/10/11	\$0.35	-	250,000	-	-	250,000
22/10/08	31/10/11	\$0.42	-	900,000	-	(400,000)	500,000
22/10/08	31/10/12	\$0.42	-	900,000	-	(400,000)	500,000
22/10/08	31/10/13	\$0.42	-	900,000	-	(400,000)	500,000
			4,750,000	6,350,000	-	(1,200,000)	9,900,000

During the year, 33,333 listed options were exercised to take up ordinary shares. A total of 6,966,667 listed options remain as at 30 June 2009.

Date Granted	Expiry Date	Exercise Price	Number at beginning of year	Issued during the year	Exercised	Forfeited	Number at end of year
2/04/08	31/12/10	\$0.25	5,407,235	-	33,333	-	5,373,902
15/04/08	31/12/10	\$0.25	1,592,765	-	-	-	1,592,765
			7,000,000	-	33,333	-	6,966,667

As at the year end the Company had a total of 16,866,667 unissued ordinary shares on which options are outstanding with an average weighted exercise price of 29 cents.

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2009		Terms & Conditions for each Grant						Vested	
Granted									
	No. Granted	Grant Date	Fair Value at Grant Date	Exercise Price per Option	Expiry Date	First Exercise Date	Last Exercise Date	No.	%
Directors									
H. Bohannan	800,000	9/9/08	\$0.1578	\$0.42	1/9/11	9/9/09 ⁽¹⁾	1/9/11	-	-
H. Bohannan	800,000	9/9/08	\$0.1578	\$0.42	1/9/11	9/9/09 ⁽²⁾	1/9/11	-	-
H. Bohannan	800,000	9/9/08	\$0.1578	\$0.42	1/9/11	9/9/09 ⁽³⁾	1/9/11	-	-
Key Management Personnel									
J. Ward	250,000	22/10/08	\$0.0774	\$0.35	31/10/11	31/10/09	31/10/11	-	-
G. Cooper/A. Yurisich	900,000	22/10/08	\$0.0615	\$0.42	31/10/11	31/10/09 ⁽¹⁾	31/10/11	-	-
G. Cooper/A. Yurisich	900,000	22/10/08	\$0.0778	\$0.42	31/10/12	31/10/10 ⁽²⁾	31/10/12	-	-
G. Cooper/A. Yurisich	900,000	22/10/08	\$0.0915	\$0.42	31/10/13	31/10/11 ⁽³⁾	31/10/13	-	-

⁽¹⁾ Options have a price hurdle of \$0.60

⁽²⁾ Options have a price hurdle of \$0.80

⁽³⁾ Options have a price hurdle of \$1.00

Fair value of options granted

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The table below summarises the model inputs for options granted during the period:

Model Inputs	Managing Director Options	Facilitator Options	Incentive Options	Incentive Options	Incentive Options	Company Secretary Options
1. Options granted for no consideration:	2,400,000	1,000,000	900,000	900,000	900,000	250,000
2. Exercise price (cents):	42	25	42	42	42	0.35
3. Weighted average exercise price (cents):	5.98	1.48	1.25	1.25	1.25	0.52
4. Valuation date:	09-Sep-08	12-Sep-08	22-Oct-08	22-Oct-08	22-Oct-08	22-Oct-08
5. Expiry date:	01-Sep-11	01-Sep-11	31-Oct-11	31-Oct-12	31-Oct-13	31-Oct-11
6. Vesting date:	09-Sep-09	12-Sep-09	31-Oct-09	31-Oct-10	31-Oct-11	31-Oct-09
7. Underlying security spot price at grant date (cents):	0.42	0.42	0.2	0.2	0.2	0.2
8. Expected price volatility of the company's shares:	75%	75%	75%	75%	75%	75%
9. Expected dividend yield:	0%	0%	0%	0%	0%	0%
10. Risk-free interest rate	7.25%	7.00%	6.00%	6.00%	6.00%	6.00%
11. Weighted average life (years):	0.42	1.76	0.90	1.19	1.49	0.45

The expected price volatility is based on the historic volatility of the Company and an average of comparable companies.

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NOTE 25 – CASH FLOW INFORMATION

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Reconciliation of cash flow from operations with loss after income tax				
Loss for the year	(11,301,074)	(259,962)	(10,917,174)	(259,962)
Less - Non cash items:				
Adjustments to prior periods	(17,974)	-	-	-
Share based payments	102,428	169,100	102,428	169,100
Facilitation fees	669,660	-	669,660	-
Exploration write off	-	-	-	-
FX gain/loss	20,786	-	18,358	-
Due diligence expense	110,287	-	110,287	-
Impairment loss	1,904,103	-	9,583,059	-
Depreciation	3,848,919	-	1,220	-
<i>Changes in assets and liabilities</i>				
Movement in trade creditors and accruals	3,474,338	85,932	416,408	85,932
Movement in other debtors	(155,825)	(16,503)	(817,604)	(16,503)
Movement in prepayments	(68,887)	-	-	-
Movement in provisions	394,252	-	-	-
Movement in deferred tax balances	-	-	-	-
Cash flows used in operations	(1,018,987)	(21,433)	(833,358)	(21,433)

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NOTE 26 – SEGMENT REPORTING

Geographical Segment – primary reporting segment

The consolidated entity operates in the exploration for mineral resources in Australia and the development of coal mining properties in the USA.

2009 Geographical segment	USA \$	Australia \$	Eliminations \$	Consolidated \$
Segment revenue	20,462,263	0	0	20,462,263
Unallocated Revenue (Interest)	7,219	854,166	(817,604)	43,781
Total revenue	20,469,482	854,166	(817,604)	20,506,044
Segment result	(7,712,240)	(10,917,174)	7,328,340	(11,301,074)
Profit before income tax				(11,301,074)
Income tax expense				-
Profit after income tax	(7,712,240)	(10,917,174)	7,328,340	(11,301,074)
Carrying amount of segment assets	36,433,236	8,812,096	(24,711,146)	20,534,186
Acquisition of non-current segment assets	1,282,906	4,660	-	1,287,566
Segment Liabilities	(11,272,949)	(1,565,002)	66,678	(12,771,273)
Depreciation and amortisation of segment assets	(3,896,043)	(1,221)	48,345	3,848,919

NOTE 27 – CONTINGENT LIABILITIES

As at 30 June 2009, the Directors are not aware of any claims against the Company that may result in material loss. No amounts have been provided for contingent liabilities in the financial report.

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NOTE 28 –SUBSEQUENT EVENTS

The Board advises that in Kentucky on 9 November 2009 a settlement agreement between Bathurst Resources Ltd and C&R Holding of Eastern Kentucky LLC (“C&R”), and the original vendors of C&R was executed which has the result of effectively reversing the acquisition of C&R which was first announced to ASX on 16 July 2008 and approved by shareholders at a general meeting held on 8 September 2008.

Significant matters contained in the settlement agreement are as follows:

- The Company will transfer the ownership of C&R back to the original vendors as at 9 November 2009;
- The original vendors will transfer the 58,900,001 shares they hold in the Company back to the Company as at 9 November 2009. The Company has cancelled these shares issued as consideration for the original purchase, and related matters on December 2009;
- C&R will make a payment to Bathurst of US\$5,000,000 by way of a monthly ‘royalty’ equivalent to 2% of the Net Sales Price of coal sold during the preceding month by C&R and all Related Entities where the sales price, less applicable transport expense, exceeds US\$65.00 per ton;
- The Company will retain the Feds Creek Project in Pike County and all related permits;
- All parties have agreed to release the other parties from any claims arising from the dispute, the original purchase agreement and other associated agreements.

The Board believes that the execution of the settlement agreement places the Company in both a sound financial, and a favourable strategic, position to benefit from future appreciation in the coal price and to take advantage of potential complimentary acquisition opportunities.

The Board intends to seek ratification by shareholders of the settlement agreement at the forthcoming Annual General Meeting of the Company, which will be called in due course after finalisation of the 2009 Annual Report and associated audit. This will be accompanied by an Independent Experts Report as required by the ASX Listing Rules. Shareholders should note that the shares in Bathurst Resources Ltd will continue to be suspended from quotation on ASX Ltd until completion of the Annual General Meeting and compliance with ASX Listing Rules.

Subsequent Event – Financial Effect

Given the reversal of C & R, this will have a financial impact on the Group’s subsequent operations. As set out in the terms of the agreement, the Group will only retain Fed Creek as its only sole mining asset and C & R have sole ownership over the Tarkiln, Mill Creek and Gibraltar mining assets.

Below are the carrying values of the four mining assets as at 30 June 2009.

Mining Assets	\$
C & R Holdings of Eastern Kentucky LLC	
Tarkiln	2,349,473
Mill Creek	1,506,681
Gibraltar	1,115,874
Total	4,972,028
Bathurst Resources USA LLC	
Feds Creek	8,395,898

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The Group will also retain two motor vehicle assets with a carrying value of \$41,278 at 30 June 2009.

As Fed Creek is currently not in coal production, the revenue received from coal mining for the Group will be effectively nil after the date of reversal. The revenue from coal production for the 2009 period was \$20,462,263 with related cost of sales and employees expenses of \$21,567,540. The reversal agreement also states that the Group will relinquish ownership of all other assets in C & R and is no longer due to pay its creditors.

Significant items includes the following:

	Carrying Value at 30 June 2009 (\$)
Assets	
Cash at Bank	232,400
Trade Debtors	142,291
Plant & Equipment	5,631,772
Total	6,006,463
Liabilities	
Trade Creditors	1,900,821
Total Lease Liabilities	5,087,300
Total Notes Payable to Third Parties	2,365,892
Total	9,354,013

Consequently as part of the reversal, the Company is no longer due to pay amounts previously due to the original vendors for the acquisition of C & R. The carrying value of this amount is \$633,332 as at 30 June 2009. The Board also does not expect to recover funds invested in C & R as working capital with a carrying value of \$1,964,762 at 30 June 2009.

On 3 December the Board has moved to cancel the 58,900,001 fully paid ordinary shares in Bathurst Resources Ltd as per the reversal agreement. This has resulted in a reduction of the total issued capital to 87,424,333 shares.

NOTE 29 - FINANCIAL RISK MANAGEMENT

a) Financial risk management objectives

Financial instruments

The Group's activities expose it to a variety of financial risks; market risk (including foreign exchange risk, interest rate risk and coal price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, coal price and foreign exchange risk, and ageing analysis for credit risk.

Risk management is carried out by the Executive Directors under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as mitigating coal price risk, foreign exchange risk, interest rate risk and credit risk. The Group does not enter into or trade derivative financial instruments for speculative purposes.

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The Group's principal financial instruments comprise loans, finance leases, cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, liability and equity instrument are disclosed in Note 3.

The magnitude of each type of financial risk that has arisen over the year is discussed below.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group has identified the following key market risks:

- Coal price risk
- Foreign currency risk
- Interest rate risk

(i) Hedges of anticipated future transactions

The Group currently does not have contracts to hedge any coal price or foreign currency risk arising from anticipated future coal sales, as the majority of the Group's expenditure is denominated in USD.

(ii) Coal price risk

Bathurst's major commodity price exposure is to the price of coal. A change in the coal price can have a significant positive or adverse effect on revenues. The Group currently sells 100% of its production into the spot market and is monitoring appropriate long term contract options. As such, the Group is exposed to possible adverse financial effects of downward price movements in future thermal coal sales. Currently, no coal hedging is being entered into.

Sensitivity Analysis – Coal Price Risk

The table below details the coal price sensitivity analysis of the Group at the reporting date, holding all other variables constant. As at 30 June 2009, the effect on profit and equity as a result of a 10% change in the coal price, with all other variables remaining constant would be as follows:

	Consolidated	
	Equity	Profit or Loss
30 June 2009	\$	\$
+ 10%	1,432,299	1,432,299
- 10%	(1,432,299)	(1,432,299)

(iii) Foreign currency risk management

The Group is exposed to currency risk on transactions that are denominated in a currency other than the primary functional currency of the Group, US dollars (USD). The majority of transactions undertaken by the Group are denominated in USD and therefore the foreign currency risk is mitigated primarily through a natural hedge.

The Board monitors foreign currency movements with the objective of optimising the exchange rates realised on inter-company transactions.

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Foreign Exchange Sensitivity Analysis

The following table details the effect on the profit and equity as at 30 June 2009 from a 13 per cent favourable/unfavourable change in Australian dollars against the US Dollar with all other variables held constant.

Risk variable	Sensitivity*	Effect On:		Effect On:	
		Profit 2009 \$	Profit 2008 \$	Equity 2009 \$	Equity 2008 \$
US Dollar					
	+ 13%	178,793	57,034	178,793	57,034
	- 13%	(178,793)	(57,034)	(178,793)	(57,034)

*The sensitivity analysis of the Company's exposure to foreign currency risk at the reporting date has been determined based on the Department of Finance and Deregulation's calculated average USD. An average of the past five years annual standard deviation is used, calculated from observed daily movement of AUS dollars against the currency. Three standard deviations were selected as a 'reasonably' possible change as it accommodates for 99 per cent of the variation in the movement of historical foreign exchange rate.

(iv) Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The Group does not currently have any exposure to floating interest rate borrowings.

Financial instrument composition and maturity analysis:

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

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Consolidated Group	Effective Average Fixed Interest Rate	Fixed Interest Rate Maturing							
		Within 1 Year		1 to 5 Years		Non-interest Bearing		Total	
		2009	2008	2009	2008	2009	2008	2009	2008
		\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets									
Cash and cash equivalents		-	-	-	-	242,967	2,297,260	242,967	2,297,260
Receivables		-	-	-	-	173,065	17,240	173,065	17,240
Other Financial Assets (Bonds)	2.50%	-	-	1,004,850	-	-	-	1,004,850	-
Total Financial Assets		-	-	1,004,850	-	416,032	2,314,500	1,420,882	2,314,500
Financial Liabilities									
Trade and other payables	10.00%	4,334,601	-	-	-	-	85,931	4,334,601	85,931
Lease Liabilities	6.42%	1,242,520	-	3,844,781	-	-	-	5,087,301	-
Loans from related parties	10.00%	589,227	-	-	-	-	-	589,227	-
Loans from third parties	9.66%	1,036,967	-	1,328,925	-	-	-	2,365,892	-
Total Financial Liabilities		7,203,315	-	5,173,706	-	-	85,931	12,377,021	85,931

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Parent	Effective Average Fixed Interest Rate	Fixed Interest Rate Maturing							
		Within 1		1 to 5		Non-interest Bearing		Total	
		Year	Year	Years	Years	2009	2008	2009	2008
		2009	2008	2009	2008	2009	2008	2009	2008
		\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets									
Cash and cash equivalents		-	-	-	-	5,332	2,297,260	5,332	2,297,260
Receivables		-	-	-	-	30,774	17,240	30,774	17,240
Other Financial Assets	10.00%	-	-	8,772,551	-	-	-	8,772,551	-
Total Financial Assets		-	-	8,772,551	-	36,106	2,314,500	8,808,657	2,314,500
Financial Liabilities									
Trade and other payables	10.00%	633,332	-	-	-	342,442	85,931	975,774	85,931
Borrowings	10.00%	589,228	-	-	-	-	-	589,228	-
Total Financial Liabilities		1,222,560	-	-	-	342,442	85,931	1,565,002	85,931

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Interest Rate Sensitivity Analysis

The table below details the interest rate sensitivity analysis of the Company at the reporting date, holding all other variables constant. A 50 basis point change is deemed to be possible change and is used when reporting interest rate risk. As at 30 June 2009, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

Risk Variable	Sensitivity*	Effect On:		Effect On:	
		Profit 2009	Profit 2008	Equity 2009	Equity 2008
		\$	\$	\$	\$
Interest Rate	+ 0.50%	2,223	6,063	2,223	6,063
	- 0.50%	(2,223)	(6,063)	(2,223)	(6,063)

*The method used to arrive at the possible change of 50 basis points was based on the analysis of the absolute nominal change of the Reserve Bank of Australia (RBA) monthly issued cash rate. Historical rates indicate that for the past five financial years, there was a bias towards an increase in interest rate ranging between 0 to 50 basis points. It is considered that 50 basis points a 'reasonably possible' estimate as it accommodates for the maximum variations inherent in the interest rate movement over the past five years.

(b) Credit risk

Credit risk is the risk of financial loss to the Group and Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and bank balances. Credit risk related to balances with banks is managed by the FRMC in accordance with approved Board policy.

Credit risk on receivables is minimised through the use of financial intermediaries that reduce the credit risk associated with receivables, through factoring agreements and up-front funding based on future production.

The maximum credit exposure relating to any one counterparty as at 30 June 2009 was \$142,293

On a geographical basis, the Group has significant credit risk exposures in the United States of America given the substantial operations in the region. The Group's exposure to credit risk for receivables at reporting date in those regions is as follows:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
United States of America	142,293	-	-	-
	142,293	-	-	-

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

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	Gross amount \$	Past due and impaired \$	Past due but not impaired (days overdue)			Within initial trade terms \$
			< 30 \$	31–60 \$	61–90 \$	
2009						
Trade and term receivables	142,293	-	142,293	-	-	-

(c) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and liquid assets and the availability of funding through an adequate amount of credit facilities. Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by keeping credit lines available.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and maturity profiles of financial assets and liabilities.

(d) Capital management

The capital structure of the Group comprises debt, cash and cash equivalents and equity attributable to equity holders of the parent, such equity comprising issued capital, reserves and retained earnings as disclosed in the balance sheet. The Directors aim to develop and maintain a strong capital base so as to sustain the future development of the business.

The Directors seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Board of Directors encourages the employees of the Group to hold the Company's ordinary shares. There were no changes in the Group's approach to capital management during the year, other than to adopt a more conservative approach to gearing following the deterioration of financial markets.

The Group's Board of Directors reviews the capital structure on a regular basis. As a part of this review the Board considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through new share issues as well as the issue of new debt on the redemption of existing debt.

NOTE 30: AUDITORS' REMUNERATION

	Consolidated Group		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	46,750	20,500	46,750	20,500
Remuneration of other auditors of subsidiaries for:				
— auditing or reviewing the financial report of subsidiaries	30,302	-	-	-
— review of acquisition of C & R Holdings of Kentucky	37,919	-	2,500	550
	<u>114,971</u>	<u>20,500</u>	<u>49,250</u>	<u>21,050</u>

NOTE 31: CONTINGENCIES AND OPERATING COMMITMENTS

Contingent Assets & Liabilities and Operating Leasing Commitments

- a) For the financial year ended 30 June 2009, C & R Holdings of Eastern Kentucky LLC had not entered into any significant operating leasing commitments. However C & R does pay rent of \$1,500 USD per month for the use of two apartments.
- b) There are no material contractual commitments as at 30 June 2009 other than those disclosed above or not otherwise disclosed in the financial statements.
- c) There were no material contingent liabilities not provided for in the financial statements of the Group as at 30 June 2009.
- d) There were no material contingent assets as at 30 June 2009.

NOTE 31: COMPANY DETAILS

The registered office of the Company is:

Bathurst Resources Limited
Suite 2, Mezzanine Floor
35-37 Havelock Street
WEST PERTH WA 6005

Directors' Declaration

The Directors' of the Company declare that:

- a) the financial statements and notes set out on pages 21 to 62:
 - i. comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - ii. give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the Company and the consolidated group.
- b) the Chief Executive Officer and Chief Finance Officer have each declared that:
 - i. the financial records of the Company's and the G for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - ii. the financial statement and notes comply with the Accounting Standards; and
 - iii. the financial statements and notes for the financial year give a true and fair view; and
- c) in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of directors.

On behalf of the board



Hamish Bohannan
Managing Director
Perth
30 December 2009

Independent Audit Report



INDEPENDENT AUDIT REPORT TO MEMBERS OF BATHURST RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

We have audited the accompanying financial report of Bathurst Resources Limited (the company) and Bathurst Resources Limited and its Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion, the financial report of Bathurst Resources Limited and Bathurst Resources Limited and its Controlled Entities is in accordance with the Corporations Act 2001 including:

- (a) (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Total Financial Solutions



Horwath refers to Horwath International Association, a Swiss entity.
Each member of the Association is a separate and independent legal entity.

Member Horwath International

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A WHK Group firm

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Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the audit opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 3B to the financial statements, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 12 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report for Bathurst Resources Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP


SEAN MCGURK
Principal

Perth, WA

Dated this 30th day of December 2009

**ADDITIONAL SECURITIES EXCHANGE INFORMATION
AS AT 17 DECEMBER 2009**

The Company was admitted to the official list of ASX on 19 December 2007. Since listing, the Company has used its cash (and assets in a form readily convertible to cash) in a manner consistent with its business objectives. In accordance with the ASX Listing Rules, the Company is required to disclose the following information which was prepared based on share registry information processed up to 17 December 2009.

Ordinary Share Capital

- At 17 December 2009, 87,424,333 fully paid ordinary shares are held by 688 individual shareholders and 12 overseas holders.
- All issued shares carry one vote per share.

Spread of Holdings			Total Holders	Ordinary Shares
1	-	1,000	39	4,530
1,001	-	5,000	34	114,585
5,001	-	10,000	184	1,431,814
10,001	-	100,000	268	12,129,875
100,001	-	and over	151	73,743,529
Number of Holders/Shares			676	87,424,333
Total Overseas Holders			12	3,059,290

Substantial Shareholders

Ordinary Shareholders	Fully Paid Ordinary Shares	
	Number	Percentage
Mr Hamish Bohannan	5,645,000	6.46%

Mr Hamish Bohannan, Managing Director of Bathurst Resources Limited holds or has control over a total of 5,645,000 shares representing 6.46% of the issued fully paid shares in the Company.

- Mr Hamish Bohannan : 5,645,000 shares

**ADDITIONAL SECURITIES EXCHANGE INFORMATION
AS AT 17 DECEMBER 2009 (continued)**

Voting rights

All ordinary shares carry one vote per share without restriction. Options for ordinary shares do not carry any voting rights.

Statement of Quotation and Restrictions

- Listed on the ASX are a total of 87,424,333 fully paid shares (2008: 66,335,834)
- 3,149,998 fully paid shares are escrowed till 19 December 2009
- 6,966,667 options (2008: 6,966,667) are quoted on the ASX.
- 13,900,000 options (2008: 9,900,000) are not quoted on the ASX.

Twenty Largest Holders of Equity Securities

Ordinary Shareholders	Fully Paid Ordinary Shares	
	Number	Percentage %
Bohannon Hamish J L + J	5,645,000	6.46
Wilson Andrew D + JG	3,275,000	3.75
Stronsay PL	2,280,400	2.61
Waterfall Gordon	2,200,000	2.52
Passio PL	2,000,000	2.29
Tolcon Nadine Ruth	2,000,000	2.29
Fortis Clearing Nom PL	1,702,800	1.95
John Wardman & Assoc PL	1,600,000	1.83
Merrill Lynch Aust Nom PL	1,500,000	1.72
Hannaford John Andrew	1,324,999	1.52
Greatcity PL	1,324,999	1.52
Bluebase PL	1,273,950	1.46
Queensway Inv PL	1,100,000	1.26
Pittar Rosemary Joanna	1,083,124	1.24
Ventnor Capital PL	1,060,320	1.21
Anderson Graham Douglas	1,028,500	1.18
Drive Construction PL	1,000,000	1.14
International Bsuiness Network SV	1,000,000	1.14
Kable Michael	1,000,000	1.14
RBC Dexia Investor Services	1,000,000	1.14
TOTAL	34,399,092	39.37

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Options

Outstanding at 17 December 2009 were 20,866,667 options (2008:16,866,667) and the balance is represented by:

- 6,966,667 listed options over ordinary shares with an exercise price of \$0.25 each expiring on 31 December 2010.
- 4,750,000 unlisted options over ordinary shares with an exercise price of \$0.25 each expiring on 31 December 2010.
- 1,000,000 unlisted options over ordinary shares with an exercise price of \$0.25 each expiring on 12 September 2011.
- 2,400,000 unlisted options over ordinary shares with an exercise price of \$0.42 each expiring on 1 September 2011.
- 250,000 unlisted options over ordinary shares with an exercise price of \$0.35 each expiring on 31 October 2011.
- 500,000 unlisted options over ordinary shares with an exercise price of \$0.42 each expiring on 31 October 2012.
- 500,000 unlisted options over ordinary shares with an exercise price of \$0.42 each expiring on 31 October 2012

Interests in Mining Tenements

Project	Tenement	Interest	Location	Status
Feds Creek Mine	Permit No #898-0730	100%	USA	Granted
