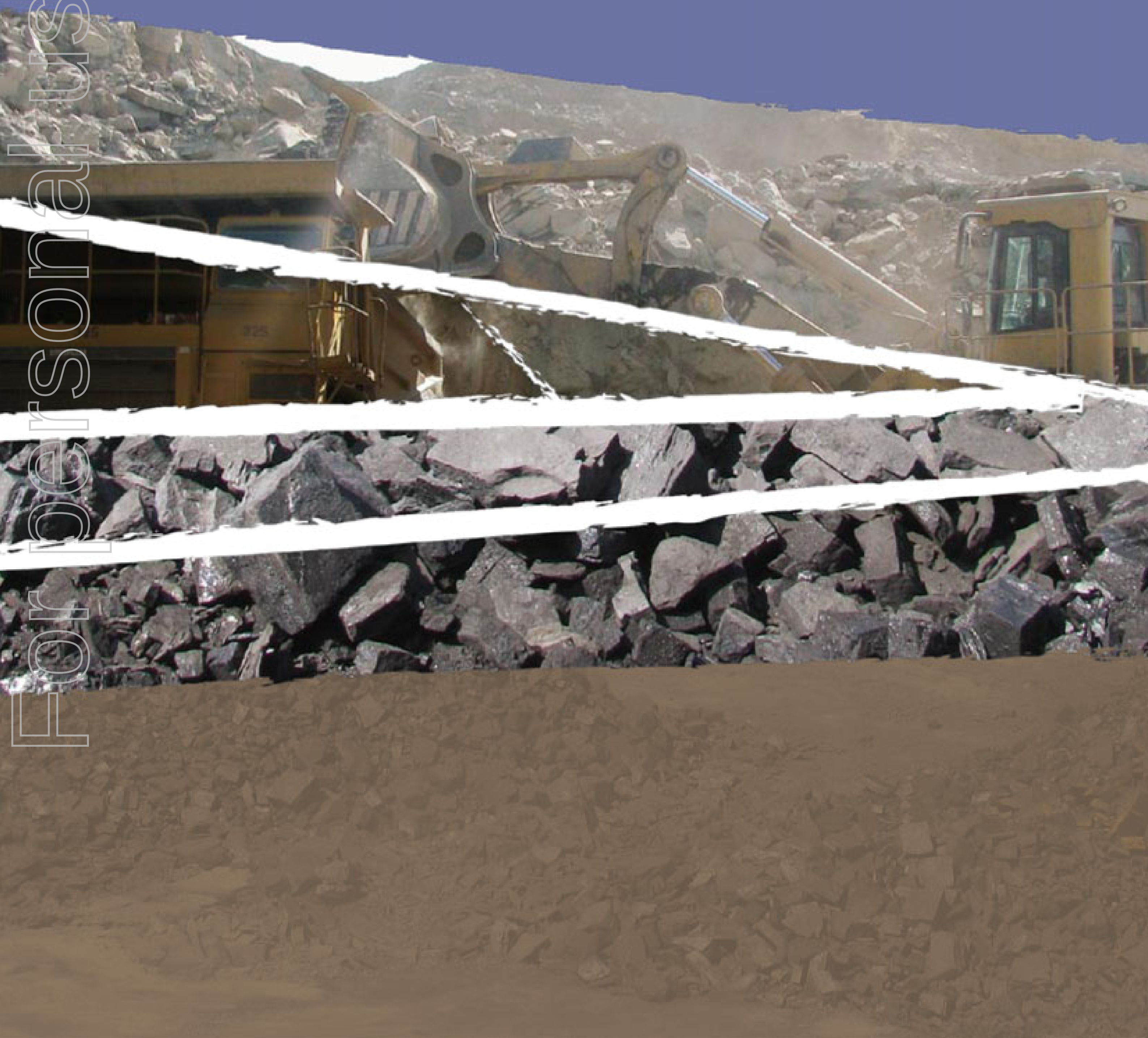
Bathurst
RESOURCES LTD
ACN 125 679 469



# Annual Report
## For the year ended 30 June 2008



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# Corporate Information

**Directors:**
John Hannaford
*Non-Executive Chairman*

Hamish Bohannan
*Managing Director*

Richard Monti
*Executive Director*

Billy Shelton
*Executive Director*

Frank Ashe
*Non Executive Director*

Morgan Barron; Joshua Ward
*Joint Company Secretaries*

**Auditors:**
WHK Horwath
256 St Georges Terrace
PERTH WA 6000

**Solicitors:**
Steinepreis Paganin
Level 4, Next Building
16 Milligan Street
Perth WA 6000

**Registered & Principal Office:**
Level 2, 16 Altona Street
WEST PERTH WA 6005
Telephone: + 618 9482 0500
Facsimile: + 618 9482 0505

**Postal Address:**
P.O. Box 902
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

# Letter from the Chairman



Dear Shareholder,

I am pleased to present the 2008 Annual Report of Bathurst Resources Ltd. Bathurst was incorporated on 30 May 2007 with the primary purpose of identifying and acquiring projects in the resources sector displaying the potential to substantially increase the value of the Company and in turn the value if its shares. The Company signed an agreement to earn up to 75% of the Mount Clifford project which is prospective for nickel, base metal and gold.

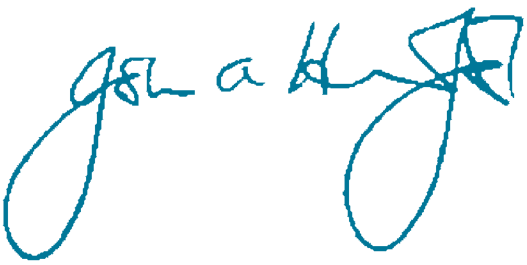
Throughout the third and fourth quarters Bathurst employed its company objectives and strategy to explore the Mount Clifford project. Exploration analysis and field work sampling commenced to analyse its prospectivity of mineral resource, whilst the Board continued to assess projects for their viability to build the Bathurst portfolio of resource assets and successfully increase share holder wealth.

On 16 July 2008 the company announced an option to acquire 100% of C & R Holding of Eastern Kentucky LLC, a private company with producing coal assets in Kentucky, USA. Following shareholder approval at a general meeting on 8 September 2008 the Company exercised all options and completed the acquisition. The Board believes this acquisition represents significant opportunity to capitalise on the buoyant coal market and will add significant shareholder value.

The Company has immediately appointed Mr Gerry Cooper as Vice President Operations and Mr Adrian Yurisich as Group Mining Engineer, both based in Kentucky, as part of its plan to increase production, increase reserves and bring the second two projects into production in a timely manner.

On 8th October 2008 the Company withdrew from the Mt Clifford project to concentrate on its recently acquired USA coal assets.

Your Directors are committed to creating a successful exploration and production company and we believe the Company's focus on its US Coal project is the beginning of many building blocks for this success. The production status of this project represents continuing cash flow opportunities in Bathurst's short and long term future. We look forward to the continued support of shareholders in achieving this outcome.



Yours sincerely,
**John Hannaford**
*Chairman*

During Bathurst's first year of operation the company converted from a private company to a public company. August of 2007 saw the company sign an option agreement with Cazaly Resources Limited to acquire 20% and earn up to an additional 50% of the Mount Clifford project.

The Company raised $3 million via the offer of 15,000,000 shares at 20 cents per share in a November prospectus with subsequent listing on the ASX on 19 December 2007. During December the Company exercised its option agreement, acquiring the 20% interest in the Mount Clifford project and the right to earn a further 50% interest. A field work program commenced at the Mount Clifford Project in June 2008.

Early in 2008 Bathurst commenced a non-renounceable entitlement issue of options on a 1 for 3 basis, in order to raise $70,000 for working capital purposes and the advancement of the Mount Clifford project. The shortfall of 1,592,765 options was placed in April 2008.

The Board has also been actively seeking further resource projects to enhance shareholder value. This resulted in the execution on 19 May 2008 of a binding Letter Agreement to purchase up to 100% of C&R Holding of Eastern Kentucky LLC, a company with operating coal mines located in Kentucky, USA. As part of the Memorandum of Understanding (MOU) signed on 19 May 2008, Bathurst loaned C&R Holding US$600,000 at a commercial rate of interest, which converted to a deposit on the purchase of C+R Holdings on completion of the acquisition. The acquisition was subsequently approved by shareholders at a shareholders' meeting in September.

In conjunction with the acquisition of C&R, Bathurst appointed two new directors, Hamish Bohannan as Managing Director and Billy Shelton as Executive Director. Hamish Bohannan is a Mining Engineer with some 30 years experience in the resource industry having completed a degree at the Royal School of Mines. He has 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. Hamish has previously run mining operations in Florida, Georgia and Virginia.

Billy Shelton, a current member of C&R joined the Board of Bathurst Resources 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.

On 8th October 2008 the Company withdrew from the Mt Clifford project to concentrate on its recently acquired USA coal assets.

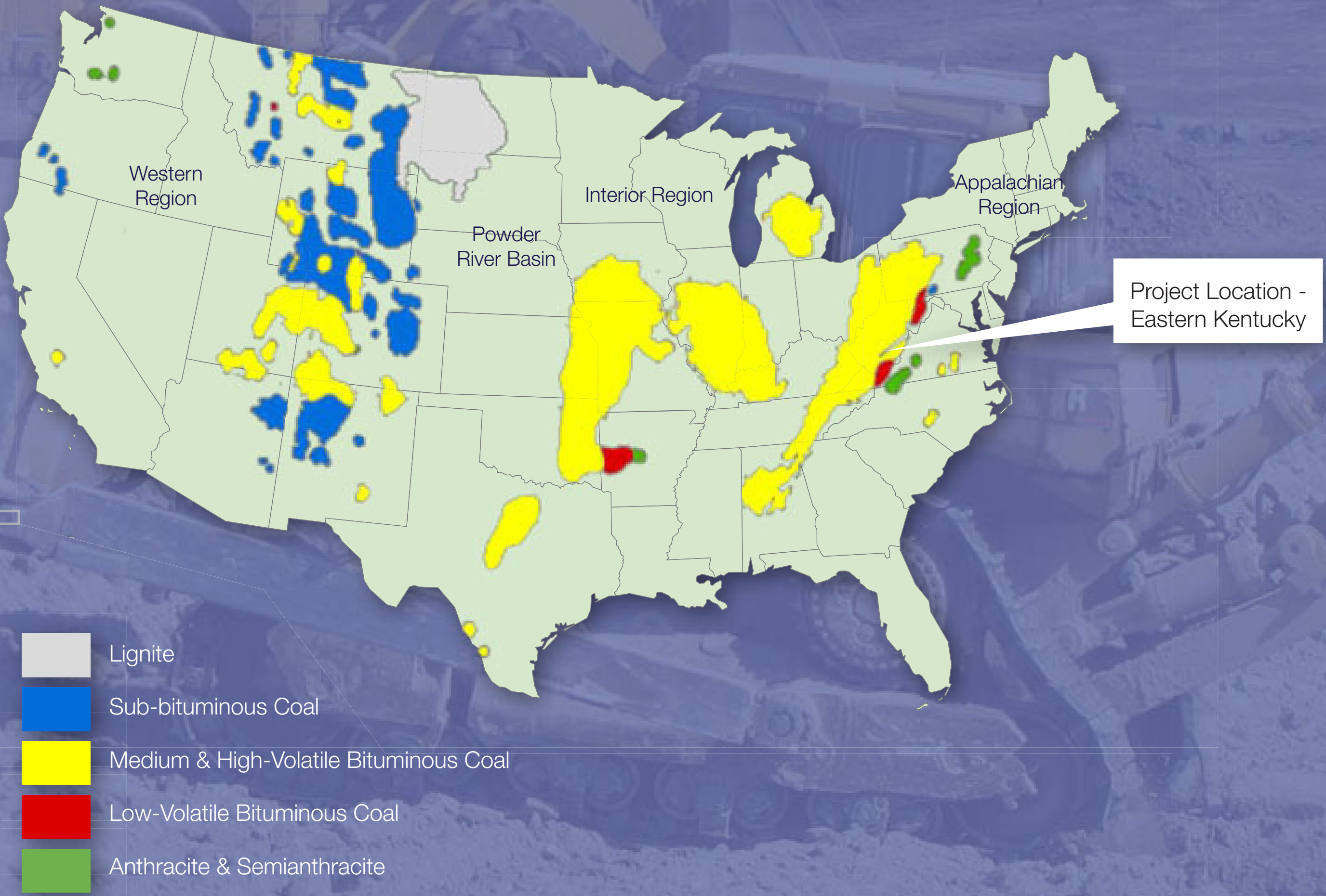
The net loss for the year was $259,961. Bathurst holds a strong cash position of over $2 million and now has regular inflows from its producing coal assets. A detailed description of the Companies projects follows.

## US Coal Project

Bathurst acquired a 100% interest in C & R Holdings of Eastern Kentucky LLC, a company with operating coal mines in Kentucky as well as well advanced projects. The current Resource/Reserve position and production profile of C&R are modest and are a reflection of current operational procedure which is to prove up sufficient resources for 6 to 12 months production only, thereby minimising cash requirements. Bathurst has embarked on a programme to both increase the production profile of C&R and build the coal resource inventory in the Appalachian Basin through expansion of the current projects as well as acquiring further projects. A drilling program on existing leases is scheduled to start in late 2008.

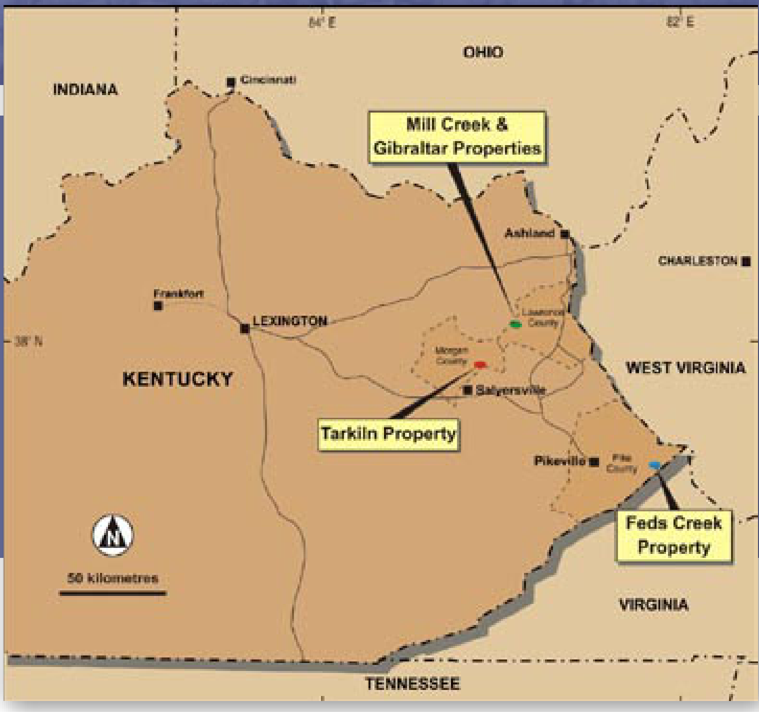
## Highlights of the Acquisition

- Acquisition of 100% of operating open pit coal mines in Eastern Kentucky, USA.
- Current operations producing at 26,000t/month with a significant operating surplus.
- Opportunity to substantially increase production.
- Substantial potential cost savings being made through efficiencies.
- Additional deposits to be brought on stream to increase production to one million tonnes per annum by mid 2009.
- Initial JORC compliant Mineral Resource and Ore Reserve estimations completed.
- Other opportunities exist to acquire fully permitted coal projects.



## Coal Assets

C&R has secured leases covering coal rights over four project areas in eastern Kentucky at the Tarkiln, Feds Creek, Mill Creek and Gibraltar Projects. Mining permits have been secured on the Tarkiln, Feds Creek and Mill Creek Projects and a permit is expected to be granted on the Gibraltar Project within the next six months. The approvals process for the grant of mining permits in Kentucky typically takes between 10 and 16 months to complete.




### Tarkiln Project

Mining operations commenced at the Tarkiln Project in February 2008 and are currently ramping up to full capacity of 40,000 tonnes per month. The mine produced an average of 26,000 tonnes per month of thermal coal between April and June at a substantial operating margin.

The thermal coal is delivered as mined (i.e. no washing, blending or beneficiation is undertaken) to a coal yard on the Big Sandy River, a tributary of the Ohio River, the major "highway" connecting coal mines, power stations and steel works in north-eastern USA. Payment is FOB at the coal yard with payment within seven days. Currently coal from Tarkiln is fetching US$85 per short ton. Coal prices are anticipated to remain high following global trends.

Bathurst is confident that it can significantly increase margins at the Tarkiln mine from adopting more sophisticated maintenance and mining practices as well as from economies of scale

### Feds Creek Project

Mining operations commenced at the Feds Creek Project in June 2008 with approximately 1,000 tonnes of coal produced from the mine during the start-up month. This coal is metallurgical coal and is sold in pit for over US$120 per short ton thus delivering higher margins than at Tarkiln. Production at Feds Creek is scheduled to increase to a nominal 10,000 tonnes per month of metallurgical coal in the first year of operation.

Mining at both mines is undertaken using open pit methods with opportunity to adopt auger/highwall mining methods in the future. There are no significant capital costs apart from preparation of the mine sites. Most of C&R's mining fleet is finance leased.

### Mill Creek and Gibraltar Projects

The Mill Creek and Gibraltar Projects are located adjacent to each other and have the capacity to each produce 15,000 tonnes of thermal coal per month.

Bathurst is currently ramping up production at the Tarkiln and Feds Creek operations and is looking to bring on stream operations at the Mill Creek and Gibraltar projects. This process is expected to be completed in the first half of next year increasing C&R's coal production to approximately 1,000,000 tonnes per annum.

Bathurst will continue to investigate the potential acquisition of permitted coal projects in the Appalachian Basin with a view to further increasing the Company's coal inventory and production profile.

## Coal Sales Contracts

Coal produced from the Tarkiln and Feds Creek Projects are currently sold under one month rolling contracts to local coal trading companies. The possibility exists to sell coal into longer term, fixed-price contracts to coal traders and power utilities. The Company is currently investigating these possibilities.

## Mineral Resources and Ore Reserves

JORC Compliant Mineral Resources and Ore Reserves have been estimated for two of the C&R coal projects. The estimations were undertaken by Stagg Resource Consultants Inc who have extensive expertise in the technical assessment of coal deposits of the Appalachian Basin. It is important to note that the Resources/Reserves and Exploration Targets have been estimated over only part of the overall project areas and these figures should increase as more geological assessment is carried out in the future. A drilling program is scheduled to commence in late 2008.

Mineral Resources and Ore Reserves are set out in the tables below as of June 30 2008. Note that Ore Reserve estimations are for areas that have a granted mining permit and include mining losses and therefore represent tonnages of coal that can be extracted and sold. Ore Reserves are not reported as a subset of Mineral Resources but as a separate tonnage.

### Tarkiln Project

| Category | Coal Type | Tonnes |
|---|---|---|
| Proved Reserve | Thermal | 265,000 |
| Probable Reserve | Thermal | 24,000 |
| **Total Reserve** | | **289,000** |

This Ore Reserve represents about seven months production at a ramped up production rate of 40,000 tonnes per month. Further tonnes of coal exist within the project area and a further mining permit has been applied for to extend the life of the mine. Stagg Resource Consulting has estimated an Exploration Target of between 350,000 and 700,000 tonnes of thermal coal within the applied mining permit area. These Exploration Targets relate to project areas where there has been insufficient exploration to define a Mineral Resource, and Bathurst notes that it is uncertain if further exploration will result in the determination of a Mineral Resource.

The Mineral Resource and Ore Reserve inventories will be increased over the coming months as the mining permit is granted and further assessment of the project beyond the current mining area is undertaken .

### Feds Creek Project

| Category | Coal Type | Tonnes |
|---|---|---|
| Proved Reserve | Metallurgical | 121,000 |
| Probable Reserve | Metallurgical | - |
| **Total Ore Reserve** | | **121,000** |

| Category | Coal Type | Tonnes |
|---|---|---|
| Measured Resource | Metallurgical | 303,000 |
| Indicated Resource | Metallurgical | 68,000 |
| **Total Mineral Resource** | | **370,000** |

These figures represent twelve months of Ore Reserves and a further three years of Mineral Resources at the ramped up rate of 10,000 tonnes per month at the Feds Creek Project. The Company will assess an expansion of this mine as an early priority.

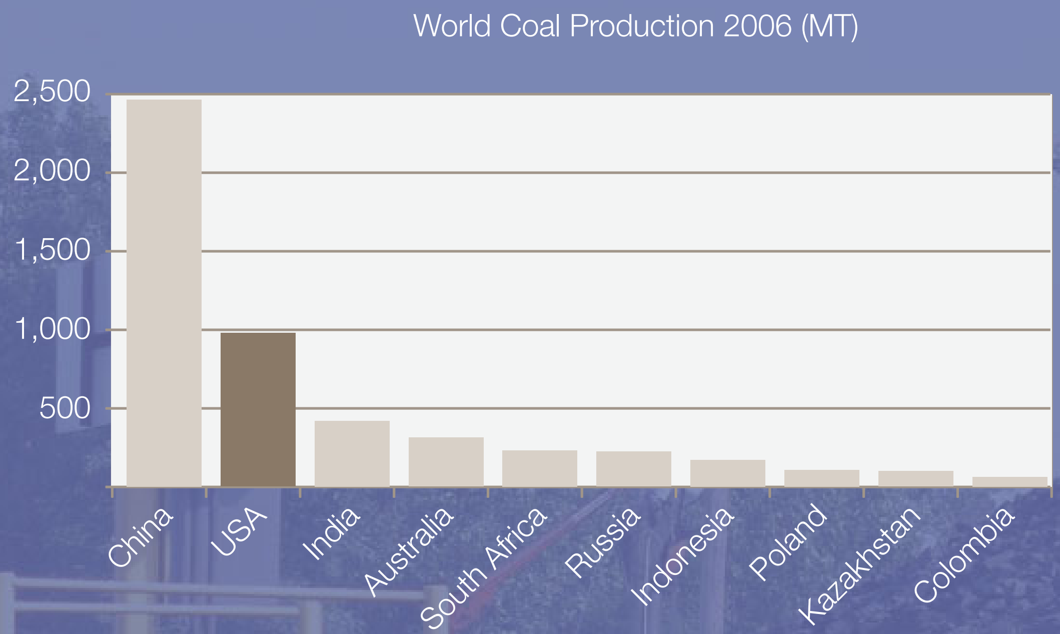
### Mill Creek and Gibraltar Projects

No Mineral Resources or Ore Reserves have been estimated on these projects to date. Mill Creek has an exploration target of 185,000 to 370,000 tonnes of thermal coal within the applied mining permit area. These exploration targets relate to project areas where there has been insufficient exploration to define a Mineral Resource, and Bathurst notes that it is uncertain if further exploration will result in the determination of a Mineral Resource.

Bathurst will add to the project resource and reserve inventories in the coming months and will employ a strategy of ensuring that the Company holds sufficient Reserves on mining permits to continue, and where appropriate, to expand its mining operations.

## Coal in the USA

The USA is the world's second largest producer of coal with 2006 production of 990 million tonnes *(Source: World Coal Institute).*




The Appalachian Basin has been a prolific source of coal historically producing in excess of 30 billion tonnes and still counts as one of the USA's major coal producers. Coal production has been recorded back as far as 250 years in Kentucky.

## Mount Clifford

The Mt Clifford Project is prospective for gold, nickel and base metal mineralization and covers approximately 34 square kilometers near Leonora in Western Australia. The Project is comprised of four tenements, two of which Bathurst has a 20% stake and the right to earn up to a 75% interest as well as two new tenements which are held 100% by Bathurst.

Sampling and subsequent geochemical analysis has defined two gold and one nickel target area that warrant further investigation.

On 8th October 2008 the Company withdrew from the Mt Clifford project to concentrate on its recently acquired USA coal assets.

Your Directors have pleasure in submitting the financial report of the company for the year ended 30 June 2008.

## Directors

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

**Mr John Hannaford**
Non Executive Chairman, appointed 30 May 2007

*Experience and expertise*
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.

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**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
Lachlan Star Limited – Non-Executive Director

*Other directorships held in listed companies in the last three years*
Braemore Resources PLC - Managing Director
Gallery Gold Limited - Managing Director

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**Mr Richard Monti**
Executive Director, appointed 30 May 2007

*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

*Other directorships held in listed companies in the last three years*
Non Executive Director, Grand Gulf Energy Limited

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**Mr Billy Shelton**
Executive Director, appointed 8 September 2008.

*Experience and expertise*
Billy Shelton, a current member of C&R has elected to the Board of Bathurst Resources 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.

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**Mr Frank Ashe**
Non Executive Director, appointed 26 October 2007

*Experience and expertise*
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 Morgan Barron**
Non Executive Director, appointed 30 May 2007, resigned 26 October 2007

*Experience and expertise*
Morgan Barron is a qualified Chartered Accountant who has worked in various corporate roles both in Australia and Europe. Whilst at Ventnor Capital Pty Ltd he has been involved in a number of company secretarial functions and ASX junior transactions.

Prior to joining Ventnor Capital Pty Ltd, Mr Barron was a Financial Analyst (M+A) at Macmahon Holdings Ltd providing strategic advice, recommendations and execution of a number of key acquisitions in the Mining and Civil Contracting markets. Mr Barron holds a Bachelor of Commerce Degree, is an Associate of the Financial Services Institute of Australasia, and an Associate of the Institute of Chartered Accountants in Australia. After graduating from UWA he started his career at Horwath and then KPMG. Once qualified, he made the move to London where he gained experience in Banking and European acquisitions for a US listed Investment bank, providing him with a strong commercial, financial and management background.

*Other current directorships of listed companies*
None.

*Other directorships held in listed companies in the last three years*
None.

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## Company Secretary

**Morgan Barron**
Joint Company Secretary, appointed 30 May 2007

Refer to profile above under Directors.

**Joshua Ward**
Joint Company Secretary, appointed 19 June 2008

*Experience and expertise*
Mr Ward is a qualified Chartered Accountant who has worked in various corporate roles both in Australia and the UK.

Mr Ward holds a Bachelor of Commerce Degree from the University of Western Australia, is a Senior Associate of the Securities Institute of Australia, and an Associate of the Institute of Chartered Accountants in Australia. After graduating from UWA he started his career at Grant Thornton Chartered Accountants, and once qualified in 2006 worked with Grant Thornton UK based in Glasgow.

In 2007 Mr Ward joined Ventnor Capital Pty Ltd, a Perth-based corporate advisory firm where he has been involved in a number of company secretarial positions and ASX junior transactions. Mr Ward has been closely involved with the mining and mining services sectors in Western Australia and has a strong commercial and financial reporting background.

## Principal Activities

Bathurst Resources Limited's ("Bathurst") principal activities are the exploration of gold and base metals on the Mt Clifford project in Western Australia.

## Results

The net loss of the Company for the year ended 30 June 2008 amounted to $259,961 (2007: $Nil).

## Operating and Financial Review

During the year the company converted from a private company to a public company. On 31 August 2007, the company signed an option agreement with Cazaly Resources Limited to acquire 20% and earn up to an additional 50% of the Mount Clifford project.

In October 2007 the company completed a capital raising of $300,000 at 10 cents per share. On 12 November 2007 the Company lodged a prospectus with ASIC to raise $3 million via the offer of 15,000,000 shares at 20 cents per share. On 11 December 2007, the Company exercised its option agreement, acquiring a 20% interest in the Mount Clifford project and has the right to earn a further 50% interest. On 19 December 2007 the Company was listed on the ASX with the ASX code BTU.

Since listing the Company has put together a comprehensive field work program for the Mount Clifford Project for calendar year 2008, and undertook the first field trip in June 2008.

In addition, the Board has been actively seeking further resource projects to enhance shareholder value. This culminated in the execution on 19 May 2008 of a binding Letter Agreement to purchase 100% of C&R Holding of Eastern Kentucky LLC, a company with operating coal mines located in Kentucky, USA. As part of the Memorandum of Understanding (MOU) signed on 19 May 2008, Bathurst loaned C&R Holding US$600,000 at a commercial rate of interest. On completion, this loan will be treated as a deposit on the purchase of C+R Holdings. The acquisition is subject to shareholder approval at an upcoming shareholders' meeting in September.

The net loss for the year was $259,961.

## 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 $8,705 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:

| | Shares | | Listed Options | | Unlisted Options | |
|---|---|---|---|---|---|---|
| *Director* | *Held Directly* | *Held Indirectly* | *Held Directly* | *Held Indirectly* | *Held Directly* | *Held Indirectly* |
| F. Ashe | - | 200,000 | - | 66,666 | - | 500,000 |
| J. Hannaford | 1,380,000 | 285,000 | 441,666 | 23,333 | 1,600,000 | - |
| R. Monti | - | 1,534,733 | - | 451,666 | - | 1,600,000 |
| H. Bohannan | - | 520,000 | - | - | - | 2,400,000 |
| B. Shelton | - | - | - | - | - | - |

## Meetings of Directors'

During the financial year, 8 meetings of directors were held with the following attendances:

| Directors | Meetings Attended | Eligible to Attend |
|---|---|---|
| F. Ashe | 7 | 7 |
| J. Hannaford | 7 | 8 |
| R. Monti | 8 | 8 |

## Retirement, Election and Continuation in Office of Directors

Mr Morgan Barron resigned as a director of the Company on the 26 October 2007 prior to listing on the ASX.

Mr Hamish Bohannan and Mr Billy Shelton were elected as directors at a meeting of shareholders on the 8 September 2008. Mr Bohannan and Mr Shelton were elected to administer the Company's coal assets acquired through the acquisition of C & R Holdings of Eastern Kentucky LLC subsequent to the end of the financial year.

## 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. Details of remuneration
C. Service agreements
D. Share based compensation
E. Additional information

The information provided under headings A D 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 (e) 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.

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. All key management personnel are remunerated on a consultancy basis based on services provided by each person. The Board reviews key 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 and other key management personnel 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. This is expected to take place within financial year 2009.

*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. 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 | | | | | | |
|---|---|---|---|---|---|---|
| 2008 | Short Term Benefits | | Post Employment Benefits | Share Based Payments | | |
| Key Management Personnel | Salary and Fees (1) $ | Non Monetary $ | Super-annuation $ | Options (2) $ | Total $ | % of remuneration consisting of options |
| **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 | - | - | - | - | - | - |
| **Managing Director** | | | | | | |
| H. Bohannan | - | - | - | - | - | - |
| Total | 48,144 | - | 2,888 | 144,943 | 195,975 | 74% |
| **Previous Directors** | | | | | | |
| M. Barron | - | - | - | - | - | - |

Comparatives for director's and key management personnel remuneration have not been presented as the company was incorporated on 30 May 2007 and did no have any key management personnel remuneration in the prior period.

### C. 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 Executive 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.

R Monti - Executive Director

- Term of agreement – ongoing subject to annual review
- Base salary, exclusive of superannuation, for the period ended 30 June 2007 of $30,000, to be reviewed annually by the Board.
- No termination benefits are payable by the Company.Ventnor Capital Pty Ltd, a company associated with John Hannaford and Richard Monti has been engaged to provide Executive Director, Company Secretarial and general office services. Executive Director services are in addition to the directors fees noted above.
- Term of agreement – 12 months from the date of listing on the stock exchange (19 December 2007)
- Remuneration for Executive Director services is charged at $2,500 per month (excluding GST) for the period ended 30 June 2008.
- Remuneration for Company Secretarial services is charged at $5,000 per month (excluding GST) for the period ended 30 June 2008.
- General office expenses are charged at $5,000 per month (excluding GST) for the period ended 30 June 2008.
- Contract may be terminated on 30 days written notice by either party, or immediately on breach of certain contract terms. No termination benefits are payable by the Company.

### D. 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 issued to Ventnor Capital Pty Ltd, a company in which John Hannaford and Richard Monti have a beneficial interest. The options were granted for no consideration. Options carry no dividend or voting rights.

An Employee Share Option Plan (ESOP) has been implemented subsequent to year end.

**2008**

| Granted | | Terms & Conditions for each Grant | | | | | | Vested | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 remaining 500,000 options are beneficially owned by unrelated parties.
The model inputs for options granted during the year ended 30 June 2008 included:

| Model Inputs | Dir, Co Sec & VC Options |
|---|---|
| 1. Options granted for no consideration: | 4,250,000 |
| 2. Exercise price (cents): | 0.25 |
| 3. Valuation date: | 13 December 2007 |
| 4. Expiry date: | 31 December 2010 |
| 5. Underlying security spot price at start date (cents): | 0.2 |
| 6. Expected price volatility of the company's shares: | 75% |
| 7. Expected dividend yield: | 0% |
| 8. Risk-free interest rate: | 6.75% |

### E. 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.

## Share Options

*Shares under Option*

At the date of this report there are 11,750,000 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 | 5,407,235 |
| 15 April 2008 | 31 December 2010 | $0.25 | 1,592,765 |
| | | | 11,750,000 |

* 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 where 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.

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

| | 2008 $ | 2007 $ |
|---|---|---|
| *Audit Services* | | |
| Amounts payable to auditor of company | | |
| - Auditing or reviewing the financial report | 20,500 | - |
| | | |
| *Other services* | | |
| Review of short form prospectus | 550 | - |
| | 21,050 | - |

## Subsequent Events

On 16 July 2008, Bathurst announced that it had formalised the Letter Agreement signed on 19 May 2008 through the signing of an option agreement to acquire up to a 100% interest in C&R Holding of Eastern Kentucky LLC ("C&R") in four equal tranches. C&R has coal mining and exploration interests in the Appalachian Basin Coal Field in Kentucky, USA. Bathurst can acquire the first 25% tranche by issuing 8m shares, payment of US$2.4m and assumption of US$0.9m of existing debt. Bathurst has paid a refundable deposit in the form of a loan for US$0.6m. The payment of $2.4m is made in two $1.2m tranches, with an adjusting amount applied to each tranche depending on the operating results of C&R up to the date of completion.

The acquisition of C&R and appointment of new Directors as part of the acquisition was approved by Bathurst shareholders at a general meeting held on 8 September 2008. Bathurst exercised the four options to acquire a total of 100% of C&R following shareholder approval on 8 September, for which it must issue 32 million shares and pay US$2.4 million. As part of the acquisition of C&R, Bathurst will pay a Facilitation Fee of one million shares in Bathurst and one million options over Bathurst shares exercisable at 25c within three years of grant. Each of the three vendors will be entitled to one third of a 2.0% gross revenue royalty.

On 9 September 2008 Bathurst agreed to issue 3.15 million shares at $0.32 each to raise $1,008,000 before costs of the issue, by way of a private placement. Funds raised under the issue will be directed to working capital required by the coal operations acquired after the acquisition of C&R.

On 25 July 2008 the Company received a letter from a third party with the threat of a claim in relation to the acquisition of the C&R Holding. The Company's legal advisers have advised that, based on the information with which they have been provided, the threatened claim has no substance. Based on this advice the Company has not raised a contingency in respect of the claim.

There are no other likely developments in the operations of the Company that were not finalised at the date of this report. Further information as to likely developments in the operations of the Company and likely results of those operations would in the opinion of the Directors, be likely to result in unreasonable prejudice to the Company.

## Auditors Independence Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 for the year ending 30 June 2008 has been received and can be found on page 15.

## 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.

**J. Hannaford**
*Chairman*

Perth
10 September 2008

# 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

Management has provided the board with a formal report identifying areas of potential risks and the safeguards in place to efficiently manage material business risks. These risk management systems are in place to protect the financial statements of the entity from potential misstatement, allowing declaration from the Chairman regarding the financial statements be founded on an effective business risk management system and internal control structure.

## 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.

In December 2007, the new Board adopted a number of Corporate Governance principles.

The following table sets out the ASX Corporate Governance Guidelines with which the company does not comply as at 30 June 2008:

| 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 three Directors, one of whom is non executive (the chairman). None of the Directors is independent under the ASX Corporate Governance definition. 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 Chairman John Hannaford is not independent under the definition in the ASX Corporate Governance Guidelines. 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. |
| 2.4 | 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 3 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



WHK Horwath

**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 2008, 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 10th day of September 2008

*Total Financial Solutions*

Horwath

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

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A WHK Group firm

# Income Statement



| | Note | 2008<br>$ | 2007<br>$ |
|---|---|---|---|
| Revenue from continuing operations | 4 | 112,068 | - |
| Employee expenses | | (220,549) | - |
| Administration expenses | | (147,308) | - |
| Loss on foreign exchange | | (4,172) | - |
| Loss before income tax expense | | (259,961) | - |
| Income tax expense | 5 | - | - |
| Net loss attributable to members of the Company | | (259,961) | - |
| Basic and diluted loss per share | | | |
| - cents per share | 7 | (2.03) | - |

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

# Balance Sheet As at 30 June 2008



| | Note | 2008 $ | 2007 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 8 | 2,297,260 | 2 |
| Trade and other receivables | 9 | 17,240 | - |
| Other assets | 10 | 737,033 | - |
| | | | |
| **Total current assets** | | **3,051,533** | **2** |
| | | | |
| **Non-current assets** | | | |
| Exploration and evaluation expenditure | 11 | 55,762 | - |
| | | | |
| **Total non-current assets** | | **55,762** | - |
| | | | |
| **TOTAL ASSETS** | | **3,107,295** | **2** |
| | | | |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 85,931 | - |
| | | | |
| **Total current liabilities** | | **85,931** | - |
| | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 13 | - | - |
| | | | |
| **Total non-current liabilities** | | - | - |
| | | | |
| **TOTAL LIABILITIES** | | **85,931** | - |
| | | | |
| **NET ASSETS** | | **3,021,364** | **2** |
| | | | |
| **EQUITY** | | | |
| Issued capital | 14 | 2,751,522 | 2 |
| Reserves | 15 | 529,803 | - |
| Accumulated losses | | (259,961) | - |
| **TOTAL EQUITY** | | **3,021,364** | **2** |

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

# Statement of Changes in Equity



**2008**

| | 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 | 14 | 3,315,000 | - | - | 3,315,000 |
| Capital raising costs | 14 | (563,480) | | | (563,480) |
| Share-based payments | 18 | - | 459,803 | - | 459,803 |
| Issue of options | 18 | - | 70,000 | - | 70,000 |
| Total equity at 30 June 2008 | | **2,751,522** | **529,803** | **(259,961)** | **3,021,364** |

**2007**

| | Note | Issued Capital $ | Option Reserve $ | Accumulated Losses $ | Total Equity $ |
|---|---|---|---|---|---|
| Total equity at the beginning of the year | | - | - | - | - |
| Loss for the period | | - | - | - | - |
| **Total recognised income and expense for the period** | | - | - | - | - |
| **Transactions with equity holders:** | | | | | |
| Contributions of equity, net of transaction costs | 14 | 2 | - | - | 2 |
| Total equity at 30 June 2007 | | **2** | - | - | **2** |

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

# Cash Flow Statement

| | Note | 2008 $ | 2007 $ |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Interest received | | 108,633 | - |
| Payments to suppliers and employees | | (130,066) | - |
| **Net cash used in operating activities** | 19 | (21,433) | - |
| | | | |
| Cash flows from investing activities | | | |
| Payments for exploration expenditure | | (55,762) | - |
| Payments for capitalised acquisition costs | | (110,287) | - |
| Deposit paid on acquisition of C&R Holding of Eastern Kentucky LLC | | (627,484) | |
| **Net cash used in investing activities** | | (793,533) | - |
| | | | |
| Cash flows from financing activities | | | |
| Proceeds from issues of shares | | 3,315,000 | 2 |
| Proceeds from issue of options | | 70,000 | - |
| Capital raising costs | | (272,776) | - |
| **Net cash flows provided by financing activities** | | 3,112,224 | 2 |
| | | | |
| Net increase in cash and cash equivalents | | 2,297,258 | 2 |
| Cash and cash equivalents at the beginning of the period | | 2 | - |
| **Cash and cash equivalents at the end of the period** | | **2,297,260** | **2** |

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

# Notes to the Financial Statements



## 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 2008 comprises Bathurst Resources Limited as an individual entity.

## 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 9 September 2008.

## Note 3 – Significant Accounting Policies

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

### A. Basis of Preparation

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

*Compliance with IFRS*

Australian Accounting Standards Include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of Bathurst Resources Limited comply with International Financial Reporting Standards (IFRS).

*Historical cost convention*

These financial statements have been prepared under the historical cost convention.

*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.

### B. Going Concern

As discussed in Note 22, the Company has acquired 100% of C&R Holding of Eastern Kentucky LLC ("C&R") subsequent to year end. As a result of this acquisition, the ability of the combined group to pay its debts as and when they fall due is reliant on the ability of C&R to produce operating cash surpluses or the combined group to raise further debt or equity funding. If additional capital is not raised, the going concern basis may not be appropriate and as a result the Company may have to realise its assets and extinguish its 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. 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.

### D. 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 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.

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

### E. 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.

### F. Financial Assets

The Company currently classifies its financial assets as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivables. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

### 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.

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. 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.

### I. 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').

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.

### J. 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.

### K. Revenue

Interest revenue is recognised when receivable.

All revenue is stated net of the amount of goods and services tax (GST).

### L. 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.

### M. 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.

### N. 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.

## Note 4 – Revenue

| | 2008 $ | 2007 $ |
|---|---|---|
| **Revenue** | | |
| Bank Interest revenue | 108,634 | - |
| Interest Accrued on deposit | 3,434 | - |
| | | |
| Total Revenue | 112,068 | - |

## Note 5 – Income Tax

| | 2008 $ | 2007 $ |
|---|---|---|
| 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 | (259,961) | - |
| Income tax benefit calculated at 30% of loss | (77,988) | - |
| | | |
| Add: Non-deductible items | 3,525 | - |
| Less: Items deductible for tax purposes | (50,537) | - |
| Income tax benefit attributable to operating activities | (125,001) | - |
| Tax effect of losses carried forward | 125,001 | - |
| **Income tax expense** | **-** | **-** |
| | | |
| Deferred tax assets | | |
| Deductible temporary differences (recognised) | 16,729 | - |
| Unused tax losses (not recognised) | 108,272 | - |
| | 125,001 | - |

The Company has estimated carried forward tax losses of $416,669 (2007: $Nil) 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 6 – Dividends

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

## Note 7 – Earnings Per Share

| | 2008 | 2007 |
|---|---|---|
| Basic earnings per share - cents | (2.03) | - |
| Diluted earnings per share - cents | (2.03) | - |
| Earnings used in the calculation of basic and dilutive EPS | (259,962) | - |
| Weighted average number of ordinary shares outstanding during the period used in calculation of basic and dilutive EPS. | 12,830,137 | 2 |

There are 11,750,000 options outstanding at 30 June 2008 which are not considered potential ordinary shares and are therefore not dilutive.

## Note 8 – Cash and Cash Equivalents

Cash and cash equivalents comprise:

| | 2008<br>$ | 2007<br>$ |
|---|---|---|
| Cash at bank | 2,297,260 | 2 |

## Note 9 – Trade and Other Receivables

| | 2008<br>$ | 2007<br>$ |
|---|---|---|
| Sundry Debtors | 2 | - |
| GST receivable | 17,238 | - |
| | 17,240 | - |

## Note 10 – Other Assets

| | 2008<br>$ | 2007<br>$ |
|---|---|---|
| **Other assets** | | |
| Deposit on acquisition of C&R Holding of Eastern Kentucky LLC (a) | 626,746 | - |
| Capitalised acquisition costs | 110,287 | - |
| | 737,033 | - |

(a) Deposit is in US dollars.  The maximum exposure to credit risk is the carrying value of the deposit.  Collateral is not held as security.

## Note 11 – Exploration and Evaluation Expenditure

| | 2008 $ | 2007 $ |
|---|---|---|
| Costs carried forward in respect of: | | |
| Exploration and evaluation expenditure, at cost | 55,762 | - |
| | | |
| **Reconciliation:** | | |
| A reconciliation of the carrying amounts of exploration | | |
| and evaluation expenditure is set out below: | | |
| | | |
| Carrying amount at 1 July 2007 | - | |
| Additions | 55,762 | |
| Impairment of exploration expenditure | - | |
| Carrying amount at end of period | 55,762 | |

Exploration commitments

In order to maintain rights of tenure to exploration permits, the Company has certain obligations to perform minimum exploration work and expend minimum amounts of money.

These commitments may be varied as a result of renegotiations, relinquishments, farm-outs, sales or carrying out work in excess of the permit obligations. The minimum expenditure required by the Company on exploration permits during the year is estimated below. Commitments beyond this time frame can not be estimated reliably as minimum expenditure requirements are reassessed annually. The commitments have not been provided for in the financial report.

| | | |
|---|---|---|
| Within one year | 29,098 | - |

## Note 12 – Trade and Other Payables

| | | |
|---|---|---|
| Trade payables | 71,307 | - |
| Sundry payables and accrued expenses | 14,624 | - |
| | 85,931 | - |
| | | |
| Amounts payable to: | | |
| Other related parties | 62,409 | - |
| | **62,409** | - |

## Note 13 - Tax

| | 2008 $ | 2007 $ |
|---|---|---|
| | | |
| **Deferred Tax Liabilities** | | |
| - Exploration expenditure | (16,729) | - |
| | | |
| **Deferred Tax Assets** | | |
| - Arising from tax losses | 16,729 | - |
| Balance at 30 June | - | - |

## Note 14 - Issued Capital

| 2008 | Number of Shares | $ |
|---|---|---|
| **(a) Issued and Paid Up Capital** | | |
| Fully paid ordinary shares | 21,000,000 | 2,751,522 |
| | | |
| **(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) |
| **Total fully paid shares on issue** | 21,000,000 | 2,751,522 |

**(c) Options**

For information relating to share options issued to key management personnel during the financial year, refer to Note 17 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 15 – 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 16 – 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 bookkeeping, company secretarial fees and corporate advisory fees in relation to the administration and listing of the Company. Ventnor Capital was also paid brokerage for IPO funds raised. 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:

| | |
|---|---|
| Rent, general administration and bookkeeping | 32,097 |
| Company secretarial fees | 44,584 |
| Corporate advisory - fees | 44,000 |
| Brokerage | 47,600 |
| Total | **168,281** |

The total amount of fees due to Ventnor Capital as at 30 June 2008 was $62,409. Ventnor Capital Pty Ltd was also issued options in relation to the listing of the Company during the period which had a book value of $241,573. Eficaz Pty Ltd, a company of which Mr Frank Ashe is a Director and shareholder, was paid director's fees totalling $16,048 during the period.

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 17 – 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:

| | Held at beginning of year | Movement during period | Options Exercised | Held at 30 June 2008 | Held at 10 September 2008 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| F. Ashe | - | 200,000 | - | 200,000 | 200,000 |
| J. Hannaford | 1 | 1,494,999 | - | 1,495,000 | 1,620,000 |
| R. Monti | 1 | 1,379,999 | - | 1,380,000 | 1,430,000 |
| H. Bohannan | - | - | - | - | 520,000 |
| B. Shelton | - | - | - | - | - |
| **Total** | **2** | **3,074,998** | **-** | **3,075,000** | **3,770,000** |

## Note 18 – 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:

| | 2008 $ |
|---|---|
| Options issued to unrelated parties in consideration for services | 49,130 |
| Options issued to Directors, officers and Corporate Advisors | 410,673 |
| | 459,803 |

These options are detailed below:

| Date Granted | Expiry Date | Exercise Price | Number at beginning of year | Movement during the year | Exercised | Expired | 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 |
| | | | | **4,750,000** | | | **4,750,000** |

During the year, no options were exercised to take up ordinary shares.

As at the year end the Company had a total of 11,750,000 unissued ordinary shares on which options are outstanding with an average weighted exercise price of 25 cents.

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 | Advisor Options | Dir, Co Sec & VC Options |
|---|---|---|
| 1. Options granted for no consideration | 500,000 | 4,250,000 |
| 2. Exercise price (cents) | 0.25 | 0.25 |
| 3. Valuation Date: | 7 November 2007 | 13 December 2007 |
| 4. Expiry date: | 31 December 2010 | 31 December 2010 |
| 5. Underlying security spot price at grant date (cents): | 0.2 | 0.2 |
| 6. Expected price volatility of the company's shares: | 75% | 75% |
| 7. Expected dividend yield: | 0% | 0% |
| 8. Risk-free interest rate | 6.75% | 6.75% |

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

## Note 19 – Cash Flow Information

| | 2008<br>$ | 2007<br>$ |
|---|---|---|
| Reconciliation of cash flow from operations with loss after income tax | | |
| Loss for the year | (259,962) | - |
| Less - Non cash items: | | |
| Share based payments | 169,100 | - |
| Exploration write off | - | - |
| Depreciation | - | - |
| *Changes in assets and liabilities* | | |
| Movement in trade creditors and accruals | 85,932 | - |
| Movement in other debtors | (16,503) | - |
| Movement in deferred tax balances | - | - |
| **Cash flows used in operations** | **(21,433)** | **-** |

## Note 20 – Segment Reporting

The Company operates in one business and geographical segment, being the exploration and evaluation of mineral resources in Australia.

## Note 21 – Contingent Liabilities

As at 30 June 2008, 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.

## Note 22 – Subsequent Events

On 16 July 2008, Bathurst announced that it had formalised the Letter Agreement signed on 19 May 2008 through the signing of an option agreement to acquire up to a 100% interest in C&R Holding of Eastern Kentucky LLC ("C&R") in four equal tranches. C&R has coal mining and exploration interests in the Appalachian Basin Coal Field in Kentucky, USA. Bathurst can acquire the first 25% tranche by issuing 8m shares, payment of US$2.4m and assumption of US$0.9m of existing debt. Bathurst has paid a refundable deposit in the form of a loan for US$0.6m. The payment of $2.4m is made in two $1.2m tranches, with an adjusting amount applied to each tranche depending on the operating results of C&R up to the date of completion.

The acquisition of C&R and appointment of new Directors as part of the acquisition was approved by Bathurst shareholders at a general meeting held on 8 September 2008. Bathurst exercised the four options to acquire a total of 100% of C&R following shareholder approval on 8 September, for which it must issue 32 million shares and pay US$2.4 million. As part of the acquisition of C&R, Bathurst will pay a Facilitation Fee of one million shares in Bathurst and one million options over Bathurst shares exercisable at 25c within three years of grant. Each of the three vendors will be entitled to one third of a 2.0% gross revenue royalty.

On 9 September 2008 Bathurst agreed to issue 3.15 million shares at $0.32 each to raise $1,008,000 before costs of the issue, by way of a private placement. Funds raised under the issue will be directed to working capital required by the coal operations acquired after the acquisition of C&R.

On 25 July 2008 the Company received a letter from a third party with the threat of a claim in relation to the acquisition of the C&R Holding. The Company's legal advisers have advised that, based on the information with which they have been provided, the threatened claim has no substance. Based on this advice the Company has not raised a contingency in respect of the claim.

As at the date of this report, the Directors are not aware of any other matter or circumstance that has occurred since the end of the financial period that has significantly or may significantly affect the operations, the results of those operations or the state of the Company in subsequent financial periods.

## Note 23 – Financial Risk Management

The Company's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out by the Executive Director 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 foreign exchange risk, interest rate risk and credit risk.

### A. Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Company is exposed to foreign exchange risk arising from currency exposures to the US dollar as a result of the deposit paid to C&R in the form of a loan if the acquisition of C&R does not proceed.

### B. Market Risk

The Company is not exposed to equity securities price risk as it holds no investments in securities classified on the balance sheet either as available for sale or at fair value through profit or loss. The Company is not directly exposed to commodity price risk.

### C. Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company does not have any trade receivables at 30 June 2008 and has no significant concentrations of credit risk. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

### D. Liquidity Risk

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company's financial liabilities include trade and other payables which are paid on a 30 day period.

### E. Cash Flow and Fair Value Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result in changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

| 2008 | Non Interest Bearing $ | Floating Interest Rate $ | TOTAL $ |
|---|---|---|---|
| Financial assets | | | |
| Cash assets | - | 2,297,262 | 2,297,262 |
| Receivables | 644,013 | - | 644,013 |
| Total Financial Assets | 644,013 | 2,297,262 | 2,941,275 |
| Weighted average effective interest rate | - | 6.74% | - |
| | | | |
| Financial liabilities | | | |
| Payables | 85,522 | - | 85,522 |
| Total Financial Liabilities | 85,522 | - | 85,522 |
| Weighted average effective interest rate | - | - | - |

<u>Interest Rate Sensitivity Analysis</u>

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 2008, 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:

| | | Effect On: | | Effect On: | |
|---|---|---|---|---|---|
| | | Profit 2008 $ | Profit 2007 $ | Equity 2008 $ | Equity 2007 $ |
| Risk Variable | Sensitivity* | | | | |
| Interest Rate | + 0.50% | 6,063 | - | 6,063 | - |
| | - 0.50% | (6,063) | - | (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.

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Foreign Exchange Sensitivity Analysis

The following table details the effect on the profit and equity as at 30 June 2008 from a 13 per cent favourable/ unfavourable change in Australian dollars against the US Dollar with all other variables held constant.

| | | Effect On: | | Effect On: | |
|---|---|---|---|---|---|
| | | Profit 2008 $ | Profit 2007 $ | Equity 2008 $ | Equity 2007 $ |
| **Risk variable** | **Sensitivity*** | | | | |
| US Dollar | + 13% | 57,034 | - | 57,034 | - |
| | - 13% | (57,034) | - | (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.

## Note 24 – Change In Accounting Policy

In the current year, the Company has adopted all of the new and revised Standards issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and has not resulted in any changes to the Company's accounting policies nor affected the amounts reported for the current or prior years.

The following accounting standards have been issued or amended and are applicable to the Company but are not yet effective. They have not been adopted in the preparation of the financial statements at reporting date.

| AASB Amendment. | Standards Affected | Outline of amendment | Application Date of Standard | Application Date for Company |
|---|---|---|---|---|
| AASB 2007-8 Amendments to Australian Accounting Standards | AASB 101 Presentation of Financial Statements | The revised AASB 101 requires the presentation of comprehensive income and makes changes to the statement of changes in equity. | 1.1.2009 | 1.7.2009 |
| AASB 101 | AASB 101 Presentation of Financial Statements | As above. | 1.1.2009 | 1.7.2009 |

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company.

## Note 25 – Auditors' Remuneration

| | 2008 $ | 2007 $ |
|---|---|---|
| *Audit Services* | | |
| Amounts payable to auditor of Company | | |
| - Auditing or reviewing the financial report | 20,500 | - |
| Other services | | |
| Review of short form prospectus | 550 | - |
| | 21,050 | - |

## Note 26 – Company Details

The registered office and principal place of business of the Company is:

**Bathurst Resources Limited**
**Level 2**
**16 Altona Street**
**WEST PERTH WA 6005**

# Directors' Declaration

The Directors' of the Company declare that:

a) the financial statements and notes set out on pages 16 to 33:

   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 Company's financial position as at 30 June 2008 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date; and

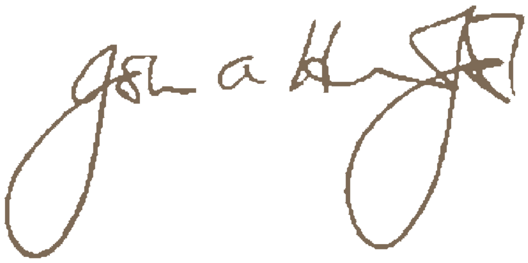
b) the Chief Executive Officer and Chief Finance Officer have each declared that:

   i. the financial records of the Company 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



**J. Hannaford**
*Chairman*

Perth
10 September 2008

# Independent Audit Report

WHK Horwath

**INDEPENDENT AUDIT REPORT TO MEMBERS OF BATHURST RESOURCES LIMITED**

We have audited the accompanying financial report of Bathurst Resource Limited (the company), which comprises the balance sheet as at 30 June 2008, 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.

**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 Note1, 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 is in accordance with the Corporations Act 2001 including:

a) i. giving a true and fair view of the company's financial position as at 30 June 2008 and of its 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.

**Report on the Remuneration Report**
We have audited the Remuneration Report included on pages 7 to 10 of the directors' report for the year ended 30 June 2008. 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 of Bathurst Resources Ltd for the year ended 30 June 2007, complies with section 300A of the *Corporations Act 2001*.

**Material Uncertainty Regarding Continuation as a Going Concern**
Without qualification to the audit opinions expressed above, we draw attention to Note 3(b) to the financial statements. The matters set forth in Note 3(b) indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

WHK HORWATH PERTH AUDIT PARTNERSHIP

Sean McGurk

SEAN MCGURK
Principal

Perth, WA

Dated this 10th day of September 2008

*Total Financial Solutions*

Horwath

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## 1. Shareholding

The shareholder information set out below was applicable as at 30 September 2008

### *(a) Distribution of Share and Option Holdings as at 30 September 2008.*

| Size of Share Holding and Option Holdings | Number of Shareholders | Number of Optionholders |
|---|---|---|
| 1 - 1,000 | 2 | 0 |
| 1,001 - 5,000 | 16 | 65 |
| 5,001 - 10,000 | 108 | 62 |
| 10,001 - 100,000 | 242 | 86 |
| 100,001 and over | 52 | 12 |
| Total Shareholders and Option Holders | 420 | 225 |

***(b)*** Of the above total, 3 Ordinary Shareholders and 57 Option holders hold less than a marketable parcel.

### *(c) Substantial Shareholders*

The substantial holders in the company are set below:

| Ordinary Shareholder | Number Held | Percentage |
|---|---|---|
| BILLY RAY SHELTON | 10,666,667 | 18.50% |
| RICHARD WILLIAMS | 10,666,667 | 18.50% |
| RONNIE D BOWLING | 10,666,667 | 18.50% |

### *(d) Voting Rights*

The voting rights attached to the ordinary shares are governed by the Constitution. On a show of hands every person present who is a Member or representative of a Member shall have one vote and on a poll, every Member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. None of the options have any voting rights.

**2.** The names of the Joint Company Secretaries are Mr Morgan Barron and Mr Joshua Ward

**3.** The address of the principal registered office in Australia is Level 2, 16 Altona Street, West Perth WA 6005, Telephone +61 8 9482 0500.

**4.** The register of securities is held at the principle registered office.

Details of exploration are included in the operations review.

Directors' interests in share capital are disclosed in the Directors Report.

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## Twenty Largest Shareholders

AS AT 30 September 2008

| SHAREHOLDERS (Fully Paid Ordinary) | NUMBER OF SHARES | % |
|---|---|---|
| 1. SHELTON BILLY RAY | 10,666,667 | 18.50% |
| 2. WILLIAMS RICHARD | 10,666,667 | 18.50% |
| 3. BOWLING RONNIE D | 10,666,667 | 18.50% |
| 4. HANNAFORD JOHN ANDREW | 1,380,000 | 2.39% |
| 5. GREATCITY PL | 1,324,999 | 2.30% |
| 6. FORTIS CLEARING NOMINEES P/L | 1,093,750 | 1.90% |
| 7. SPIRIT RESOURCES LLC | 1,000,000 | 1.73% |
| 8. BLUEBASE PL | 773,950 | 1.34% |
| 9. WILSON ANDREW D & J G | 715,667 | 1.24% |
| 10. HSBC CUSTODY NOMINEES | 593,750 | 1.03% |
| 11.RBC DEXIA INVESTOR SERVICES | 580,000 | 1.01% |
| 12. BOHANNAN HAMISH J L + J | 520,000 | 0.90% |
| 13. ANZ NOM LTD | 468,750 | 0.81% |
| 14. MCCUBBING BRIAN | 350,000 | 0.61% |
| 15. SHIRLEY ROBERT L + G M | 350,000 | 0.61% |
| 16. GRIBBLE ANDREW + ANNE | 340,000 | 0.59% |
| 17. BASSETT M I L + S E | 300,000 | 0.52% |
| 18. RIVERVIEW PL | 285,000 | 0.49% |
| 19. STRUYF DIRK V + S V | 268,750 | 0.47% |
| 20. CELERY PL | 250,000 | 0.43% |
| TOTAL | 42,594,617 | 73.87% |
| **TOTAL ISSUED SHARES, as at 30 SEPTEMBER 2008** | **57,658,334** | **100.00%** |

## Twenty Largest Listed Option Holders

AS AT 30 September 2008

| OPTION HOLDERS | NUMBER OF OPTIONS | % |
|---|---|---|
| 1. BLUEBASE PL | 567,124 | 8.14% |
| 2. KELLY ASHLEY WAYNE + D J | 487,581 | 7.00% |
| 3. HANNAFORD JOHN ANDREW | 441,666 | 6.34% |
| 4. GREATCITY PL | 441,666 | 6.34% |
| 5. CANGU PL | 368,791 | 5.29% |
| 6. WILSON ANDREW D + J G | 339,999 | 4.88% |
| 7. GRIBBLE ANDREW + ANNE | 275,859 | 3.96% |
| 8. BATAVIA CAP PL | 245,859 | 3.53% |
| 9. INVICTUS CAP PL | 245,859 | 3.53% |
| 10. PRAHA NOM PL | 200,020 | 2.87% |
| 11. RBC DEXIA INVESTOR SVCS A | 124,667 | 1.79% |
| 12. BROWN CHRISTINE MARIE | 88,333 | 1.27% |
| 13. CELERY PL | 83,333 | 1.20% |
| 14. DEANY DAVID ANTHONY | 83,333 | 1.20% |
| 15. BASSETT M I L + S E | 83,333 | 1.20% |
| 16. ANDREW MATTHEW ROBERT | 83,333 | 1.20% |
| 17. BOWDEN JAMIE ROBERT | 83,331 | 1.20% |
| 18. ASHE FRANK | 66,666 | 0.96% |
| 19. TOLHURST BRIAN W + G C | 66,665 | 0.96% |
| 20. MELSIM PL | 50,000 | 0.72% |
| TOTAL | 4,427,418 | 63.55% |
| **TOTAL ISSUED LISTED OPTONS, as at 30 SEPTEMBER 2008** | **6,966,667** | **100.00%** |