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30 January 2009

Centralised Company Announcements Platform  
Australian Stock Exchange  
10<sup>th</sup> floor, 20 Bond Street  
Sydney NSW 2000

**QUARTERLY ACTIVITIES AND CASHFLOW REPORT 31 DECEMBER 2008**

Please find attached the Quarterly Activities and Appendix 5B Quarterly cashflow reports for the quarter ended December 31, 2008.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Hamish Bohannan'. The signature is written in a cursive, flowing style.

Hamish Bohannan  
Managing Director

## ASX Release

30 January 2009

### BATHURST RESOURCES LTD

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#### Contact:

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#### Directors/Officers:

John Hannaford – Non-executive Chairman  
Hamish Bohannan – Managing Director  
Richard Monti – Executive Director  
Billy Shelton – Executive Director  
Frank Ashe – Non-executive Director

Joshua Ward – Company Secretary

#### Issued Capital:

57,683,334 Ordinary Shares  
6,966,667 Listed Options  
11,100,000 Unlisted Options

#### ASX Codes:

BTU  
BTUO

## QUARTERLY ACTIVITIES REPORT FOR THREE MONTHS ENDED 31 DECEMBER 2008

### Highlights

- ❖ 76,000 tons of coal produced and sold from Tarkiln and Feds Creek mines
- ❖ Revenues in excess of US\$7m (A\$11.5m)
- ❖ EBITDA of A\$597,000
- ❖ Site preparation at Mill Creek completed
- ❖ Trial coal supply contract with power utility completed successfully
- ❖ Production profile being changed to adapt to new coal price and demand environment

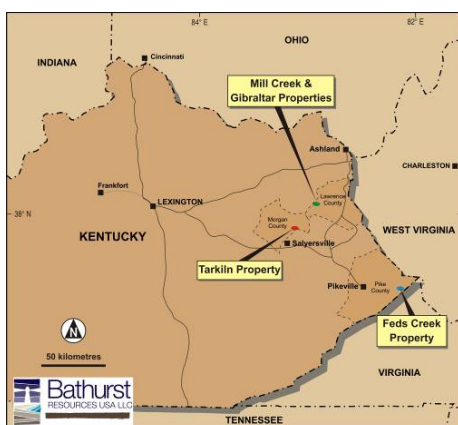
### Overview

The Board of Bathurst Resources Ltd ("Bathurst") is pleased to present its quarterly activities report for the quarter ended 31 December 2008.

Following the acquisition of C&R Holding in September 2008, it was proposed to establish reliable, best practice production, lock in coal contracts to take advantage of strong coal prices and steadily ramp up output bringing successive sites into operation to achieve an annualized rate of 1mtpa by June 2009.

Production activities continued at Tarkiln and commenced at Feds Creek. Coal prices received during the quarter were firm and the company realized average prices increasing from US\$74 per ton in October to US\$123 per ton by the end of the quarter, including fixed and spot contracts. Since the end of December however spot coal prices have fallen to between US\$60 and US\$70 per ton for Appalachian thermal coal and metallurgical coal alike.

In the light of these rapidly changing demand and price conditions, the Company reviewed its operations and has taken a series of steps to cease its highest cost operations and focus on mining the higher margin material.



USA Coal Asset Project Locations



Coal Loading at Tarkiln

This has reduced the overall tonnage of coal produced but significantly reduced costs per ton, resulting in positive margins at current low spot prices. In the event of price recovery, production can be rapidly increased to previously planned levels.

The Company is continuing discussions with various parties with the aim of increasing its resource base.

## Operating Summary

<b>Consolidated Results (A\$)</b>	
Qtr ended 31 Dec 08	<b>AUD \$'000</b>
<b>Revenue</b>	<b>\$11,541</b>
COS	<b>-\$8,584</b>
<b>Gross profit/(loss)</b>	<b>\$2,957</b>
Admin costs	<b>-\$2,360</b>
<b>EBITDA</b>	<b>\$597</b>

Set out below are C&R Holding's unaudited US Operating results for the quarter ended 31 December 2008:

<b>Tons Mined</b>				
	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Total</b>
<b>Tarkiln</b>				
Broas	3,406	4,648	2,986	11,040
UPO	4,617	6,011	7,226	17,854
LPO	12,462	4,716	4,462	21,640
Prater	9,887	5,733	2,667	18,287
<b>Feds Creek</b>				
Alma	1,732	1,363	3,964	7,059
<b>Total tons mined</b>	<b>32,104</b>	<b>22,471</b>	<b>21,305</b>	<b>75,880</b>
<b>Total tons sold</b>	<b>29,028</b>	<b>20,707</b>	<b>25,856</b>	<b>75,590</b>

<b>US Profit/Loss</b>				
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Operating Expenses	-\$2,154	-\$1,864	-\$1,787	-\$5,805
Revenue	\$2,423	\$2,046	\$2,617	\$7,086
<b>Operating profit</b>	<b>\$269</b>	<b>\$182</b>	<b>\$830</b>	<b>\$1,281</b>
Other expenses	-\$291	-\$212	-\$165	-\$668
<b>US EBITDA</b>	<b>-\$22</b>	<b>-\$30</b>	<b>\$665</b>	<b>\$613</b>

<b>Unit Values</b>				
	<b>US\$/ton</b>	<b>US\$/ton</b>	<b>US\$/ton</b>	<b>US\$/ton</b>
Cost per Ton	-\$67.09	-\$82.95	-\$83.88	-\$76.50
Avg Price per Ton	\$83.47	\$98.81	\$101.22	\$93.74

\* All figures in US\$ and short tons

Included in the above quarterly results are the following significant non-cash items:

- Provisions for end of mine reclamation costs totaling US\$256,000; and
- Mine start up costs at Feds Creek.

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Overburden drilling at Tarkiln



Coal load out at Tarkiln

Extraordinary cash expenditures during the period included:

- Environmental bonds of US\$152,000 in October; and
- Acquisition payments of some US\$450,000.

Furthermore the Company has an outstanding receivable from one coal merchant amounting to US\$650,000. Subsequent to the end of the quarter, the Company initiated legal action to recover the receivable.

## USA Coal Projects

### Tarkiln

Tarkiln continued to be the main production source during the period. During November, in reaction to softening coal prices, production of the lower value Lower Peach Orchard (“LPO”) coal was reduced and subsequently dropped from the production schedule. As a consequence this meant leaving the Prater coal seam sitting below. Strip ratios were also reviewed and reduced; a relatively simple process when contour mining.

This production change has substantially reduced operating costs but has resulted in mining the currently permitted area at a faster rate than previously scheduled. The next permit application is in process and approval is anticipated in mid 2009. Reduced production from Tarkiln will be replaced by Mill Creek which is currently being commissioned as scheduled.

Tarkiln, as the highest operating cost of our thermal coal mines, will be put on care and maintenance, with Mill Creek then being the main production source. When prices increase, the mine can be reopened utilizing our own or contract miners.

### Feds Creek

Much effort was put into redesigning Feds Creek access roads to improve haulage conditions and negate any coal rehandling previously required. This reduced trucking costs and facilitated increased production.

Metallurgical coal demand also fell significantly in December with contract demand all but drying up. Feds Creek will be put on care and maintenance in January so as to preserve reserves until such time as the market improves. The mine plan has also been





Coal Sampling at Wharf



Barge loading at Wharf

hampered by delays to permit applications for the second seam, Lower Elkhorn. This permit is anticipated early in 2009 and once mining recommences this will further reduce operating costs and improve production rates.

### **Mill Creek**

Work commenced at Mill Creek in December, in preparation for production early in 2009. Mill Creek which was permitted last quarter, has four production seams of higher quality thermal coal and lower strip ratios than Tarkiln.

The production schedule is to mine Mill Creek at 15,000 tpm utilising much of the fleet from Tarkiln with an additional 3000 tpm from auger mining. Brush cutting and clearing has been completed, drill benching has commenced and first production is on target for early in 2009.

### **Other Production Opportunities**

Discussions continue on additional local resources both with a view to increase reserve base and also to provide alternative lower cost production sources.

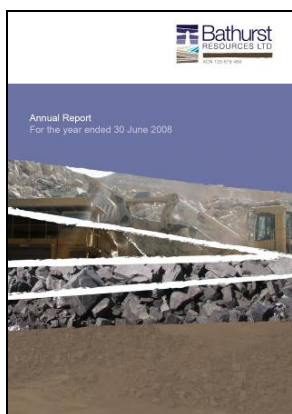
The first of these, Yellow Creek in Lawrence County, is in advanced negotiation and is expected to be in production early in February. Permitting is in place and access roads and catchment dams are complete. Following the completion of Tarkiln, the rest of the fleet will be relocated and is scheduled to produce 10,000 tpm of high quality thermal coal.

In addition to the steps already taken to reduce costs and improve margins, which include

- Reduction of strip ratios, reducing waste movement and drilling and blasting costs
- Focus on higher quality seams
- Focus on thicker seams
- Moving to sites with much shorter haulage distances,

the Company is preparing sites for its two auger machines. The first auger is scheduled for production at Mill creek where it should produce over 3000 additional tons of coal per month at less than US\$20 per ton.

These changes to our production and operating profile are expected to reduce our average cost per ton to less than US\$50, reducing further with the introduction of the low cost auger coal production.



## **New Projects**

Bathurst is continuing to review a number of attractive project opportunities which complement the Company's existing portfolio. The longer term strategy is to create a profitable mid-tier coal producer with a long term production profile.

## **Marketing**

Coal market economics in the Appalachian basin are driven by domestic power demand, supplemented by export opportunities. As discussed above, the strong price scenario seen in the previous quarter appears to have followed global trends and reduced significantly in late December, notwithstanding that seasonal prices normally fall during the winter period. Current and near term outlook is not strong with metallurgical coal being sold into thermal market and spot thermal prices for 12,000BTU coal at year end being quoted by NYMEX at around US\$70 per ton.

Our test shipment for the quarter to a coal power utility was successfully completed at a significant premium to NYMEX prices, making a significant contribution to our good December result. The utility elected to defer entering into a long term contract due to the volatility in coal market pricing. All Bathurst coal is being sold into the spot market at the current time and discussions are ongoing with several buyers with a view to establishing an ongoing supply relationship.

## **Corporate**

Bathurst is pleased to present its first Annual Report which was released on 23 October 2008. A copy of the report can be found at the company's website [www.bathurstresources.com.au](http://www.bathurstresources.com.au).

## ASX Announcements

The Company made the following announcements during the quarter and to the date of this report:

Date	ASX Announcement
23/12/2008	Change of Director's Interest Notice
17/12/2008	Change of Director's Interest Notice
24/11/2008	Options Escrow Release
20/11/2008	Bathurst Resources AGM Presentation
20/11/2008	Results of Meeting
13/11/2008	Cancellation of Options
30/10/2008	Quarterly Activities and Cashflow Report
23/10/2008	Annual Report to shareholders
23/10/2008	Appendix 3B
20/10/2008	Appendix 3B
17/10/2008	Company Secretary Resignation
16/10/2008	Change of Director's Interest Notice
13/10/2008	Change of Director's Interest Notice
8/10/2008	Notice of Annual General Meeting/Proxy Form
6/10/2008	Change of Director's Interest Notice

## Appendix 5B

### Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Bathurst Resources Ltd

ABN

125 679 469

Quarter ended ("current quarter")

31 December 2008

#### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	10,125	12,084
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	- (8,902) (481)	(2) (10,839) (1,116)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	5	36
1.5	Interest and other costs of finance paid	(195)	(207)
1.6	Income taxes paid		
1.7	Other (provide details if material)		
<b>Net Operating Cash Flows</b>		552	(44)
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(650)	(847)
1.9	Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other - Cash Acquired upon Acquisition - Bonds deposited - Payments for acquisition of subsidiary	- (239) (656)	525 (239) (2,243)
<b>Net investing cash flows</b>		(1,545)	(2,805)
1.13	Total operating and investing cash flows (carried forward)	(993)	(2,849)



Appendix 5B  
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(993)	(2,849)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	1,206
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	302	302
1.17	Repayment of borrowings	(359)	(455)
1.18	Dividends paid		
1.19	Other - Capital Raising Costs	-	(42)
	- Factoring fees on coal sales	(78)	(78)
<b>Net financing cash flows</b>		(135)	933
<b>Net increase (decrease) in cash held</b>		(1,128)	(1,916)
1.20	Cash at beginning of quarter/year to date	1,485	2,297
1.21	Exchange rate adjustments to item 1.20	132	108
1.22	<b>Cash at end of quarter</b>	488	488

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	167
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

The amount above includes payments to Directors, their associated companies and a company involved with John Hannaford and Richard Monti relating to the provision of consulting fees, company secretarial services, accounting and bookkeeping, and the provision office accommodation on commercial terms.

**Non-cash financing and investing activities**

2.1

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
- Unsecured loans from KES (Note (a))	1,212	1,212
- Director loans (Note (b))	302	302
(a) On completion of the acquisition of C&R Holding, the Company assumed liability for a loan of US\$1,160,000 which is repayable at US\$20,000 per week. (b) During the period the Company was advanced a total of A\$302,000 from directors by way of a short term loan on commercial terms.		
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	7,310
4.4 Administration	640
<b>Total</b>	<b>7,950</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	488	1,485
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>488</b>	<b>1,485</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	Mount Clifford project:			
	E37/740		20%	Nil
	P37/6557		20%	Nil
	P37/7611		100%	Nil
6.2 Interests in mining tenements acquired or increased	P37/7622		100%	Nil

Appendix 5B  
Mining exploration entity quarterly report

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy- backs, redemptions				
7.3 <b>+Ordinary securities</b>	57,683,334	53,183,336		
7.4 Changes during quarter Increases (a) Options exercised Private placement Private placement Issued on acquisition  (b) Decreases through returns of capital, buy- backs				
7.5 <b>+Convertible debt</b> <b>securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description</i> <i>and conversion factor)</i>	12,716,667 250,000 3,900,000	6,966,667	<i>Exercise price</i> 25 cents 35 cents 42 cents	<i>Exercise date</i> 31/12/10 31/10/11 Various
7.8 Issued during quarter	900,000  900,000  900,000  250,000		42 cents (vesting 12 months with various price hurdles) 42 cents (vesting 24 months with various price hurdles) 42 cents (vesting 36 months with various price hurdles) 35 cents (escrow 12 months)	31/10/11  31/10/12  31/10/13  31/10/11
7.9 Exercised during quarter				

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Appendix 5B  
Mining exploration entity quarterly report

7.10	Expired during quarter	400,000	-	42 cents (vesting 12 months with various price hurdles)	31/10/11
		400,000	-	42 cents (vesting 24 months with various price hurdles)	31/10/12
		400,000	-	42 cents (vesting 36 months with various price hurdles)	31/10/13
7.11	<b>Debentures</b> (totals only)				
7.12	<b>Unsecured notes</b> (totals only)				

### Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

Date: 30 January 2009

(Company secretary)

Print name: Joshua Ward

### Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** - The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Cash Flow Statements* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.