

23 February 2009

Australian Stock Exchange
Level 8
Exchange Plaza
2 The Esplanade
Perth WA 6000



**UPDATE ON JANUARY 2009 PERFORMANCE
AND
CORRECTION TO QUARTERLY ACTIVITIES AND CASHFLOW REPORT
31 DECEMBER 2008**

Main Points

- January operations show substantial reduction in operating costs to US\$61 per ton.
- Low cost auger mining started in February.
- Director appointed in USA
- Audited results for US Operations reduce EBITDA, exclusive of acquisition costs, to A\$592,000 for December quarter

The Quarterly Activities and Cashflow Report for the three months ended 31 December 2008 set out the C&R Holding's unaudited US operating results and Consolidated Results. An audit by Crowe Horwath LLC of Louisville Kentucky identified a few minor changes to cashflow as well as a double accounting in December non-cash items. This has not significantly changed cashflow but has impacted EBITDA for December and the quarter. The corrected figures are tabled below.

| Consolidated Results (A\$) | |
|-----------------------------------|-------------------|
| Qtr ended 31 Dec 08 | AUD \$'000 |
| Revenue | \$10,719 |
| COS | <u>-\$9,777</u> |
| Gross profit/(loss) | \$942 |
| Admin and other costs | <u>-\$350</u> |
| Profit | \$592 |
| Acquisition costs | <u>-\$192</u> |
| EBITDA | \$400 |

January Operations

With falling coal prices in December, the Company reviewed its operations and took a series of steps to cease its highest cost operations and focus on mining higher margin material. Whilst this would reduce the overall tonnage of coal produced, it was expected to significantly reduce costs per ton, resulting in positive margins at current low prices. These changes were implemented immediately and in January production totalled 18,231 tons.

In January, Feds Creek was put on care and maintenance so as to preserve reserves until coal prices improve and the mining fleet was moved to Mill Creek which has lower strip ratios and shortage haulage distances to market.

At Tarkiln, the mine plan was altered to reduce strip ratios so reducing drilling and blasting costs and waste removal costs. The fleet from Tarkiln is expected to move to Yellow Creek, Lawrence County in March once acquisition and access transactions are completed providing similar cost benefits as those expected at Mill Creek.

These changes to the operating plan have shown an immediate cost benefit with January operating costs falling to US\$61.42 per ton against an average price received of \$65.73. This has been achieved in a "transition" month in which we started a new operation, shut down another and changed the mine plan of a third operation. Furthermore during the month there has been some extreme weather including ice storms that severely impacted the State and were declared a "Natural Disaster".

February has seen the first consistent production from Mill Creek and the start of auger mining, both of which should result in increased production and further cost reductions. When production starts at Yellow Creek, the increased tonnages should further reduce unit costs.

New Board Appointment

Bathurst is pleased to announce the appointment of Charles "Chuck" Griffith to the Board of the Company. After leaving the United States airforce, Chuck has worked extensively in the Appalachian coal industry, with some 35 years as senior executive and principal of Kentucky mining and underground contracting companies.

Yours faithfully



Hamish Bohannan
Managing Director