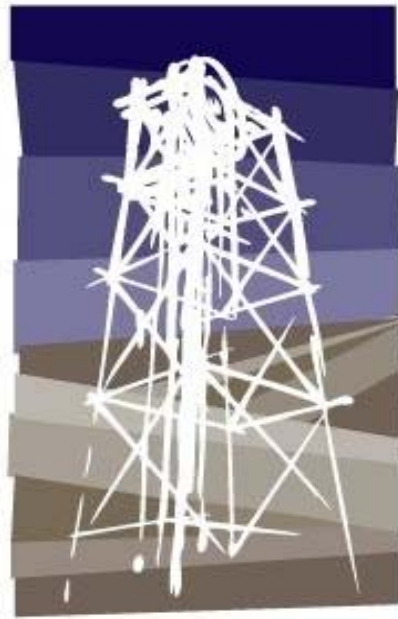


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**Bathurst**  
RESOURCES LTD

ACN 125 679 489

## **Half Year Financial Report**

for the half year ended 31 December 2009

**BATHURST RESOURCES LTD  
AND ITS CONTROLLED ENTITIES**

**Contents**

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<i>CORPORATE INFORMATION.....</i>	<i>1</i>
<i>DIRECTORS' REPORT.....</i>	<i>2</i>
<i>AUDITOR'S INDEPENDENCE DECLARATION.....</i>	<i>5</i>
<i>CONDENSED STATEMENT OF COMPREHENSIVE INCOME.....</i>	<i>7</i>
<i>CONDENSED STATEMENT OF FINANCIAL POSITION .....</i>	<i>8</i>
<i>CONDENSED STATEMENT OF CHANGES IN EQUITY.....</i>	<i>9</i>
<i>CONDENSED STATEMENT OF CASH FLOW.....</i>	<i>10</i>
<i>DIRECTORS' DECLARATION .....</i>	<i>18</i>
<i>INDEPENDENT REVIEW REPORT .....</i>	<i>19</i>

This interim financial report covers Bathurst Resources Ltd as an individual entity and the Group consisting of Bathurst Resources Ltd and its subsidiaries. The interim financial report is presented in Australian dollar currency.

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

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

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

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

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**BATHURST RESOURCES LTD  
AND ITS CONTROLLED ENTITIES**

**Corporate Information**

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**Directors:**

Craig Munro  
*Chairman*

Hamish Bohannan  
*Managing Director*

Gerry Cooper  
*Executive Director*

Charles Griffith  
*Non Executive Director*

**Company Secretary:**

Graham Anderson

**Registered & Principal Office:**

Suite 2, Mezzanine Floor  
35-37 Havelock St  
WEST PERTH WA 6005  
Telephone: + 618 9322 2700  
Facsimile: + 618 9322 7211

**Postal Address:**

P.O. Box 389  
WEST PERTH WA 6872

**Auditors:**

WHK Horwath  
256 St Georges Terrace  
PERTH WA 6000

**Solicitors - Perth:**

Gadens Lawyers  
Level 1,  
16 St George Tce  
PERTH WA 6000

**Home Stock Exchange:**

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

**Share Registry:**

Security Transfer Registrars  
PO Box 535  
APPLECROSS WA 6953  
Telephone (08) 9315 2333

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**BATHURST RESOURCES LTD  
AND ITS CONTROLLED ENTITIES**

## Directors' Report

Your Directors have pleasure in submitting the half year financial report of the Group for the half-year ended 31 December 2009.

### DIRECTORS

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

Craig Munro	Non Executive Chairman (appointed 3 December 2009)
Gerry Cooper	Executive Director (appointed 9 November 2009)
Hamish Bohannan	Managing Director
Charles Griffith	Non Executive Director
Richard Monti	Non Executive Chairman (resigned 4 September 2009)
Billy Shelton	Executive Director (resigned 9 November 2009)

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

### PRINCIPAL ACTIVITIES

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

### RESULTS

The net loss of the Group for the period ended 31 December 2009 amounted to \$4,696,321 (2008: loss of \$4,129,575).

### OPERATIONS REVIEW

The acquisition of the C&R assets in September 2008 was followed by the global economic crisis in October. This had significant impact on the US coal market, dramatically reducing coal prices and demand for coal. The Company reacted quickly, concentrating on its lowest cost operations, reducing production and cutting costs, as can be seen in the table below.

The coal utilities reacted quickly too, and whilst the Company was successful in securing an opportunity for a long term contract for coal and undertook a three month initial trial contract with a major power producer, the full contract was never to eventuate. The Company sold its coal on the spot market throughout the year.

<b>C&amp;R PRODUCTION PROFILE</b>														
	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09
Coal Production - tons														
Tarkiln	25,999	30,372	21,108	17,341	15,766	11,996	5,500	0	0	0	0	2,216	16,829	8,468
Feds Creek	0	1,732	1,363	3,964	2,465	0	0	0	0	0	0	0	0	0
Mill Creek	0	0	0	0	0	3,827	8,583	17,672	20,113	17,590	25,935	13,111	7,170	13,350
<b>Total - tons</b>	<b>25,999</b>	<b>32,104</b>	<b>22,471</b>	<b>21,305</b>	<b>18,231</b>	<b>15,823</b>	<b>14,083</b>	<b>17,672</b>	<b>20,113</b>	<b>17,590</b>	<b>25,935</b>	<b>15,327</b>	<b>23,999</b>	<b>21,818</b>
Average Production Cost - US\$	\$74.94	\$67.09	\$82.95	\$83.88	\$60.89	\$45.87	\$29.32	\$50.21	\$52.42	\$53.03	\$50.27	\$68.81	\$50.06	\$41.73
Average Sales Price - US\$														
12500 BTU	\$105.00	\$105.00	\$122.00	\$122.00	\$65.50	\$61.50	\$55.00	\$49.75	\$44.00	\$48.25	\$46.50	\$48.00	\$48.50	\$52.50
11000 BTU	\$50.00	\$50.00	\$53.50	\$53.50	\$53.50	\$40.00	\$38.50	\$40.00	\$38.00	\$38.00	\$38.00	\$30.00	\$30.00	\$31.50
Average Price Received - US\$	\$88.40	\$83.47	\$98.81	\$101.22	\$62.22	\$54.41	\$42.58	\$47.66	\$42.61	\$42.71	\$44.74	\$43.94	\$39.59	\$41.73

**BATHURST RESOURCES LTD  
AND ITS CONTROLLED ENTITIES**

## Directors' Report

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With the deteriorating coal market, production at Feds Creek was halted and Mill Creek was brought on line having being the closest to the river and therefore having the lowest haulage costs. This allowed Tarkiln to be halted, although with only one production site this left the Company vulnerable to production issues and in June 10 day's production was lost due to the suspension of the blasting contractor's operations. Tarkiln was restarted in August largely to provide operating flexibility.

In June/July 2009, the Company completed a placement and SPP raising A\$2.253m to provide ongoing working capital as well as to support project acquisitions. The company also took the opportunity to restructure some of its debt position converting director's loans and outstanding acquisition costs to equity.

Through August 2009 and into early November continued at the Mill Creek and Tarkiln mines. Whilst this allowed improved operating flexibility and reduced overall operating costs over the previous quarter, prices received for the higher grade coal remained flat, the prices for the lower grade, Lower Peach Orchard seam, continued to weaken and the operations barely broke even.

Notwithstanding, the one issue with the blasting contractor, there were no production issues during the year and the Company continued to be lost time injury free.

As announced, on 9 November 2009 a dispute arose between Bathurst, C&R Holding of Eastern Kentucky LLC ("C&R"), and the original vendors of C&R and a settlement agreement was reached, effectively cancelling the acquisition of C&R which was first announced to ASX on 16 July 2008 and approved by shareholders at a general meeting held on 8 September 2008. The shares in Bathurst held by the vendors were transferred back to Bathurst and subsequently cancelled.

This settlement agreement was executed as a result of a dispute that arose in relation to substantial and fundamental matters relating to the original purchase agreements. The parties agreed to settle the dispute without admission of liability on any part or admission of any matter alleged as part of the Dispute.

Subsequently the Company ceased being a producer of coal in November 2009, but has continued to actively pursue opportunities to acquire further coal resources and exploration potential.

The Company has retained the Feds Creek assets and royalty rights over the other C&R leases. Feds Creek remains on care and maintenance, although discussions are taking place with the previous operators, Highwall Mining, to restart the mine.

The Company has, since the end of the year, made two announcements on agreements that the Company has entered into relating to the potential acquisition of operating coal assets in Kentucky, USA and advanced exploration assets in New Zealand.

The first announcement relates to the signing of an agreement to acquire BD Acquisition LLC which owns the Black Diamond Coal Mine and its exploration interests in the Appalachian Basin Coal Field in Kentucky, USA. The highlights of the agreement include:

- Open pit and underground coal mines in Eastern Kentucky, USA.
- Over 100 million tons of recoverable coal reported in 2008<sub>(1)</sub>.
- Operations previously producing at 80,000 tons per month.
- Modern 900 tph coal processing plant and high-speed rail load-out.

**BATHURST RESOURCES LTD  
AND ITS CONTROLLED ENTITIES**

## Directors' Report

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Bathurst is now completing due diligence on the assets prior to committing to the project.

The second announced the signing of an agreement with L&M Coal Holdings to joint venture and ultimately acquire an outstanding hard coking coal asset in the Buller coal field in NZ through the acquisition of 100% of L&M Coal Limited.

The highlights of this agreement include:

- Joint Venture to develop the high grade metallurgical coal resources in NZ
- 100% acquisition of high grade metallurgical coal resources in NZ.
- Current exploration potential of over 50 million tonnes<sup>(2)</sup>.
- Open cut development opportunity with production in 18-24 months.
- Development in an area of established operations with infrastructure in close proximity.

The agreement between Bathurst and L&M Coal Holdings provides that Bathurst will work in a joint venture with L&M Coal to develop the Buller Project as well providing Bathurst the sole and exclusive right to execute a sale and purchase agreement to acquire all of the shares in L&M Coal, the agreement of which is to be completed by the 30<sup>th</sup> April 2010. Following the acquisition of the project, Bathurst would pursue a joint listing on the New Zealand stock exchange.

*1 The information in this announcement that relates to exploration results, mineral resources or ore reserves is based on information compiled by Mr L A Gates who is a Chairman of Gates Consultants, an independent party, which is a Recognised Overseas Professional Organisation accredited by the Australasian Institute of Mining and Metallurgy. Mr Gates has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Gates consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*2 The information in this announcement that relates to exploration results, mineral resources or ore reserves is based on information compiled by Dr James Pope, of CRL Energy of Christchurch New Zealand, who is a consultant to the company and is a Member of the Australasian Institute of Mining and Metallurgy. Dr Pope has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Pope consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

**BATHURST RESOURCES LTD  
AND ITS CONTROLLED ENTITIES**

Directors' Report

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**AUDITORS INDEPENDENCE DECLARATION**

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 for the half year ending 31 December 2009 has been received and can be found on page 6.

Signed in accordance with a resolution of the Directors.



Hamish Bohannan  
Managing Director

16 March 2010

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#### AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Bathurst Resources Limited for the half-year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

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

WHK HORWATH PERTH AUDIT PARTNERSHIP



SEAN MCGURK  
Principal

Perth, WA

Dated this 16<sup>th</sup> day of March 2010

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**BATHURST RESOURCES LTD  
AND ITS CONTROLLED ENTITIES**

**Condensed Statement of Comprehensive Income  
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Revenue from operations	75,472	36,328
Cost of Sales	-	-
Depreciation expense	(578)	(451)
Finance costs	(10,659)	(207,456)
Share-based payments	(117,638)	(733,729)
Due diligence expenses	(34,830)	(380,114)
Impairment losses	-	(58,059)
Administration expenses	(430,710)	(437,400)
Employee costs	(88,946)	(178,308)
Exploration expenditure	(232,552)	-
Foreign exchange gain/(loss)	(195,982)	125,257
	<hr/>	<hr/>
Loss before income tax	(1,036,423)	(1,833,932)
Income tax expense	-	-
	<hr/>	<hr/>
Loss from continued operations after income tax expense	(1,036,423)	(1,833,932)
Loss from discontinued operations	(3,659,898)	(2,295,643)
	<hr/>	<hr/>
Loss for the year	(4,696,321)	(4,129,575)
<b>Other comprehensive income/(expense)</b>		
Foreign exchange gain/(loss)	(847,269)	2,726,238
	<hr/>	<hr/>
<b>Total comprehensive loss for the period</b>	(5,543,590)	(1,403,337)
	<hr/>	<hr/>
Total comprehensive loss attributable to members of the Parent Entity	(5,543,590)	(1,403,337)
	<hr/>	<hr/>

*The above Condensed Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

**BATHURST RESOURCES LTD  
AND ITS CONTROLLED ENTITIES**

**Condensed Statement of Comprehensive Income  
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
<b>Earnings per share</b>		
Basic loss per share		
- cents per share	(4.05)	(9.59)
Diluted loss per share		
- cents per share	(4.05)	(9.59)
<b>Continued Operations</b>		
Basic loss per share		
- cents per share	(0.89)	(4.26)
Diluted loss per share		
- cents per share	(0.89)	(4.26)
<b>Discontinued Operations</b>		
Basic loss per share		
- cents per share	(3.16)	(5.33)
Diluted loss per share		
- cents per share	(3.16)	(5.33)

*The above Condensed Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

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**BATHURST RESOURCES LTD  
AND ITS CONTROLLED ENTITIES**

**Condensed Statement of Financial Position  
AS AT 31 DECEMBER 2009**

	Note	31 December 2009 \$	30 June 2009 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		335,508	242,967
Trade and other receivables		22,348	173,065
Other assets		40,550	68,887
Other financial assets		-	1,004,850
<b>Total current assets</b>		<b>398,406</b>	<b>1,489,769</b>
<b>Non-current assets</b>			
Property, plant and equipment		2,862	5,676,489
Mine development costs		-	4,286,011
Exploration and evaluation expenditure		1,679,180	9,081,917
<b>Total non-current assets</b>		<b>1,682,042</b>	<b>19,044,417</b>
<b>TOTAL ASSETS</b>		<b>2,080,448</b>	<b>20,534,186</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		239,996	4,334,601
Borrowings		18,970	2,868,715
<b>Total current liabilities</b>		<b>258,966</b>	<b>7,203,316</b>
<b>Non-current liabilities</b>			
Borrowings		-	5,173,705
Long Term Provisions		-	394,252
Other financial liabilities		-	-
Deferred tax liabilities		-	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>5,567,957</b>
<b>TOTAL LIABILITIES</b>		<b>258,966</b>	<b>12,771,273</b>
<b>NET ASSETS</b>		<b>1,821,482</b>	<b>7,762,913</b>
<b>EQUITY</b>			
Issued capital		17,078,444	17,542,672
Reserves		1,000,394	1,781,276
Accumulated losses		(16,257,356)	(11,561,035)
<b>TOTAL EQUITY</b>		<b>1,821,482</b>	<b>7,762,913</b>

*The above Condensed Statement of Financial Position should be read in conjunction with the accompanying notes.*

**BATHURST RESOURCES LTD  
AND ITS CONTROLLED ENTITIES**

**Condensed Statement of Changes in Equity  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

<b>Consolidated 2009</b>	<b>Issued Capital \$</b>	<b>Option Reserve \$</b>	<b>Foreign Exchange Translation Reserve \$</b>	<b>Accumulated Losses \$</b>	<b>Total Equity \$</b>
<b>Note</b>					
Total equity at the beginning of the period	17,542,672	881,558	899,718	(11,561,035)	7,762,913
<b>Total comprehensive income for the period</b>	-	-	<b>(847,269)</b>	<b>(4,696,321)</b>	<b>(5,543,590)</b>
<b>Transactions with equity holders:</b>					
Contributions of equity, net of transaction costs	3,589,412	-	-	-	3,589,412
Cancellation of shares from disposal of C & R	(4,395,065)	-	-	-	(4,395,065)
Exercise of options	-	-	-	-	-
Share-based payments	341,425	66,387	-	-	407,812
Total equity at 31 December 2009	<b>17,078,444</b>	<b>947,945</b>	<b>52,449</b>	<b>(16,257,356)</b>	<b>1,821,482</b>
<b>Consolidated 2008</b>	<b>Issued Capital \$</b>	<b>Option Reserve \$</b>	<b>Foreign Exchange Translation Reserve \$</b>	<b>Accumulated Losses \$</b>	<b>Total Equity \$</b>
Total equity at the beginning of the period	2,751,522	529,803	-	(259,961)	3,021,364
<b>Total comprehensive income for the period</b>	-	-	<b>2,726,238</b>	<b>(4,129,575)</b>	<b>(1,403,337)</b>
<b>Transactions with equity holders:</b>					
Contributions of equity, net of transaction costs	13,956,270	-	-	-	13,956,270
Exercise of options	8,667	(333)	-	-	8,334
Share-based payments	420,000	313,729	-	-	733,729
Total equity at 31 December 2008	<b>17,136,459</b>	<b>843,199</b>	<b>2,726,238</b>	<b>(4,389,536)</b>	<b>16,316,360</b>

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

**BATHURST RESOURCES LTD  
AND ITS CONTROLLED ENTITIES**

**Condensed Statement of Cash Flow  
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<i>Cash flows from operating activities</i>		
Receipts from customers	3,076,332	12,156,494
Interest received	3,692	36,328
Payments to suppliers and employees	(4,428,346)	(12,012,408)
Interest and other finance costs paid	(44,992)	(207,456)
<b>Net cash used in operating activities</b>	<b>(1,393,314)</b>	<b>(27,042)</b>
<i>Cash flows from investing activities</i>		
Payments for exploration expenditure	(317,633)	(2,297)
Payments for property, plant and equipment	(30,678)	(69,586)
Payments for environmental bonds	(17,128)	(239,174)
Payments for finance leases	(143,183)	(791,215)
Net cash paid on acquisition of subsidiary	-	(1,718,352)
<b>Net cash used in investing activities</b>	<b>(508,622)</b>	<b>(2,820,624)</b>
<i>Cash flows from financing activities</i>		
Proceeds from issues of shares	2,388,000	1,198,000
Capital raising costs	(73,588)	(41,453)
Proceeds from exercise of options	-	8,333
Proceeds from related entity loans	-	301,584
Factoring costs	-	(77,835)
Repayment of loans	(296,000)	(455,451)
<b>Net cash flows provided by financing activities</b>	<b>2,018,412</b>	<b>933,178</b>
Net increase/(decrease) in cash and cash equivalents	116,476	(1,914,488)
Cash and cash equivalents at the beginning of the period	242,967	2,297,260
Exchange rate effects on cash	(23, 935)	94,836
<b>Cash and cash equivalents at the end of the period</b>	<b>335,508</b>	<b>477,608</b>

*The above Condensed Statement of Cash Flows should be read in conjunction with the accompanying notes.*

**BATHURST RESOURCES LTD  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

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**NOTE 1 – ACCESS TO FINANCIAL INFORMATION OF C & R HOLDINGS OF EASTERN KENTUCKY LLC**

Bathurst Resources Limited effectively reversed the acquisition of C&R Holdings of Eastern Kentucky LLC (C&R Holdings) on the 9 November 2009, which represented over 90% of the Group's net assets as at 30 June 2009. As a result of the reversal of the acquisition of C&R Holdings and administrative issues, management of Bathurst Resources Ltd do not have access to all of the financial information of C&R Holdings required to prepare these interim financial statements. Management has therefore used the 30 September 2009 trial balance (latest information available) to prepare the 31 December 2009 interim financial statements and to account for the effective reversal of the acquisition.

**NOTE 2 – BASIS OF PREPARATION**

Bathurst Resources Ltd (the "Company") is a company domiciled in Australia. The interim financial report as at and for the half year ended 31 December 2009 comprises Bathurst Resources Limited and its controlled entities ("Consolidated Entity" or "Group").

These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Bathurst Resources Ltd and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

**Accounting Standards not Previously Applied**

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

**Presentation of Financial Statements**

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the single statement approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard; and

**BATHURST RESOURCES LTD  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

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*Operating Segments*

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group, is the board of directors.

*Business Combinations and Consolidation Procedures*

Revised AASB 3 is applicable prospectively from 1 July 2008. Changes introduced by this Standard, or as a consequence of amendments to other Standards relating to business combinations which are expected to affect the Group, include the following:

- All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method which prohibits the recognition of contingent liabilities of the acquiree at acquisition date that do not meet the definition of a liability. Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation. Changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments and are recognised through profit or loss unless the change relates to circumstances which existed at acquisition date.
- Unrecognised deferred tax assets of the acquiree may be subsequently realised within 12 months of acquisition date on the basis of facts and circumstances existing at acquisition date with a consequential reduction in goodwill. All other deferred tax assets subsequently recognised are accounted for through profit or loss.
- The proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this results in a deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity.
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be remeasured to fair value at the date that control is lost.

*Revenue Recognition*

Dividends received from a subsidiary, joint venture or associate shall be recognised as dividend revenue in the profit or loss irrespective of whether such dividends may have been paid out of pre-acquisition profits. Previously, such dividends were treated as a return of capital invested. Such dividends may be an indicator of impairment where the carrying amount of the investment exceeds the consolidated net assets relating to that investment or where the dividend exceeds the total comprehensive income of the respective investee in the period the dividend is declared.

The interim financial report has been prepared on an accruals basis and is based on historical costs, modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

**NOTE 3 – GOING CONCERN**

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

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

**BATHURST RESOURCES LTD  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

**NOTE 4 – DISCONTINUED OPERATIONS**

**(a) Description**

On 9 November, Bathurst Resources Ltd announced that it had agreed with C & R Holdings of Kentucky LLC and the original vendors to effectively reverse the acquisition of C & R. The agreement included the significant terms below.

- The Company will transfer the ownership of C&R back to the original vendors as at 9 November 2009;
- The original vendors will transfer the 58,900,001 shares they hold in the Company back to the Company as at 9 November 2009. The Company has cancelled these shares issued as consideration for the original purchase, and related matters on 3 December 2009.
- Bathurst will retain the Feds Creek Project in Pike County and all related permits;

**(b) Financial performance and cash flow information**

As detailed in Note 1, even though the effective reversal of C&R Holdings of Eastern Kentucky LLC was done on 9 November 2009, the financial performance and cash flow information presented are for the three months ended 30 September 2009 (2009 column) and the half year ended 31 December 2008. The combined results of the discontinued operations which have been included in the income statement are as set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period.

	<b>Consolidated Group</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Revenue	3,076,332	12,770,664
Cost of sales	(3,014,432)	(12,579,538)
Administration costs	(196,295)	(672,915)
Employee costs	(838,559)	(1,437,540)
Profit before income tax	(972,954)	(1,919,329)
Income tax expense	-	(376,314)
Loss attributable to member of the parent entity	(972,954)	(2,295,643)
Income tax expense	-	-
Loss on sale of the asset after income tax	(2,686,944)	-

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**BATHURST RESOURCES LTD  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

**NOTE 4 – DISCONTINUED OPERATION (Cont)**

**Total loss after tax attributable to the discontinued operations**

(3,659,898)      (2,295,643)

The net cash flows to the discontinued asset which have been incorporated in the statement of cash flows are as follows:

Net cash outflow from operating activities (972,953)      (27,042)

Net cash outflow from investing activities (190,989)      (2,850,000)

**Net decrease in cash generated by the discontinuing division**

(1,163,942)      (2,877,042)

**(c) Carrying amounts of assets and liabilities**

The carrying amounts of assets and liabilities as at 30 September 2009 and 30 June 2009 are:

	<b>30-Sep-09</b>	<b>30-Jun-09</b>
	<b>\$</b>	<b>\$</b>
Cash	220,627	232,400
Trade receivables	149,548	142,291
Other assets	976,987	1,194,795
Property, plant and equipment	4,985,585	5,673,050
Mine Development costs and Exploration and evaluation expenditure	10,000,305	13,367,928
<b>Total assets</b>	<u>16,333,052</u>	<u>20,610,464</u>
Trade Payables	3,394,362	3,361,066
Borrowings	6,186,645	7,453,194
Long Term Provisions	344,457	394,252
Intercompany loans	2,535,130	1,898,084
<b>Total Liabilities</b>	<u>12,460,594</u>	<u>13,106,596</u>
<b>Net assets</b>	<u><b>3,872,458</b></u>	<u><b>7,503,868</b></u>

**BATHURST RESOURCES LTD  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

**NOTE 4 – DISCONTINUED OPERATION (Cont)**

**(d) Details of the disposal of business unit**

	<b>9-Nov-09</b>	<b>30-Jun-09</b>
	<b>\$</b>	<b>\$</b>
Consideration received on cancellation of shares	4,395,065	-
Less:	-	-
Provision for C & R related loans	(3,209,551)	-
Carrying amount of net assets sold	<u>(3,872,458)</u>	<u>-</u>
Loss on sale before income tax	<u>(2,686,944)</u>	<u>-</u>
Income tax expense	<u>-</u>	<u>-</u>
<b>Loss on sale after income tax</b>	<b><u>(2,686,944)</u></b>	<b><u>-</u></b>

**NOTE 5 – CONTINGENT LIABILITIES**

As at 31 December 2009, the Directors are not aware of any claims against the Group that may result in material loss. No amounts have been provided for contingent liabilities in the interim report.

**NOTE 6 – SEGMENT INFORMATION**

**Identification of reportable segment**

The group identifies its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group primarily operated in coal mining and exploration in Kentucky, USA. The group relinquished its interest in the USA following the effective reversal of the acquisition of C&R Holdings on Eastern Kentucky LLC on 9 November 2009. The financial information presented in the statement of comprehensive income and statement of financial position is the same as that presented to the chief operating decision maker.

**Basis of accounting for the purposes of reporting by operating segments**

*Accounting policies adopted*

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker is in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

**BATHURST RESOURCES LTD  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

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**NOTE 7 – SUBSEQUENT EVENTS**

Subsequent to balance date on 16<sup>th</sup> March 2010, the Group announced the completion of a share placement for 12.5 million ordinary shares to sophisticated investors at 8 cents each to raise \$1 million before costs of the issue.

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**BATHURST RESOURCES LTD  
AND ITS CONTROLLED ENTITIES**

**Directors' Declaration**

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In the directors' opinion:

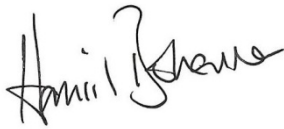
a) the financial statements and notes set out on pages 7 to 17:

- i. comply with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- ii. subject to the effect of Note 1, gives a true and fair view of the Group's financial position as at 31 December 2009 and of its performance, as represented by the results of its operations, changes in equity and their cash flows, for the period ended on that date; and

b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

On behalf of the board



Hamish Bohannan  
Managing Director  
16 March 2010

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF BATHURST RESOURCES LIMITED AND ITS CONTROLLED ENTITIES****REPORT ON THE HALF-YEAR FINANCIAL REPORT**

We have reviewed the accompanying half-year financial report of Bathurst Resources Limited and its Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, statement of accounting policies, other selected explanatory notes and the directors' declaration.

**Directors' responsibility for the half-year financial report**

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

**Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*. Because of the matter described in the Basis for Disclaimer of Opinion paragraph below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for a review opinion.

**Independence**

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

**Basis for Disclaimer of Conclusion**

As detailed in Note 1 to the financial statements, management of Bathurst Resources Ltd do not have access to all of the financial information of C&R Holdings of Eastern Kentucky LLC required to prepare the 31 December 2009 interim financial statements, and as a result, we were unable to obtain sufficient appropriate evidence for the transactions incurred during that period and the carrying value of the net assets disposed on 9 November 2009. Consequently, we are unable to determine the completeness of the amounts reflected on the condensed statement of comprehensive income and condensed statement of cashflows and the carrying values of assets and liabilities in the statement of financial position.

**Disclaimer of Conclusion**

Because of the significance of the matter described in the Basis for Disclaimer of Conclusion paragraph above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for a review conclusion. Accordingly, we do not express a conclusion on the financial report.

**Inherent Uncertainty Regarding Continuation as a Going Concern**

In addition to the Disclaimer of Conclusion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 3 to the financial statements, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

WHK HORWATH PERTH AUDIT PARTNERSHIP



SEAN MCGURK  
Principal

Perth, WA

Dated this 16<sup>th</sup> day of March 2010