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1<sup>st</sup> November 2010

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

## NOTICE OF ANNUAL GENERAL MEETING / PROXY FORM

Attached is a copy of the 2010 Notice of Annual General Meeting and Proxy Form which was distributed to shareholders on 30<sup>th</sup> October 2010.

A copy of the Notice of Annual General Meeting and Proxy Form will be available on the company's website [www.bathurstresources.com](http://www.bathurstresources.com)

For and on behalf of the Board of Bathurst Resources Ltd

A handwritten signature in black ink, appearing to read 'T Manners', written over a white circular background.

Tim Manners  
Joint Company Secretary

Enc.

### For further information contact

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ACN 125 679 469

## **NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT**

**TIME:** 10 am (ESST)

**DATE:** 29 November 2010

**PLACE:** Sofitel Sydney Wentworth  
61-101 Phillip St, Sydney  
New South Wales

This Notice of Meeting and Explanatory Statement should be read in its entirety.

If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9481 2100.

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**TIME AND PLACE OF MEETING AND HOW TO VOTE**

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**1.1 VENUE**

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at **10am (ESST) on 29 November 2010** at:

Sofitel Sydney Wentworth

61-101 Phillip St, Sydney

New South Wales

**1.2 YOUR VOTE IS IMPORTANT**

The business of the Annual General Meeting affects your shareholding and your vote is important.

**1.3 VOTING IN PERSON**

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

**1.4 VOTING BY PROXY**

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

(a) post to Bathurst Resources Limited, Suite 5, 1327 Hay Street, West Perth WA 6005; or

(b) facsimile to the Company on facsimile number +61 8 9481 2001, so that it is received not later than 5.00pm (ESST) on 25 November 2010.

**Proxy Forms received later than this time will be invalid.**

## NOTICE OF MEETING

Notice is given that an Annual General Meeting of Bathurst Resources Limited ("**Company**") will be held at Sofitel Sydney Wentworth, 61-101 Phillip St, Sydney, New South Wales on 29 November 2010 commencing at 10am (ESST).

The Proxy Form forms part of this Notice of Meeting.

### ORDINARY BUSINESS

#### FINANCIAL STATEMENTS AND REPORTS

##### Period 1 July 2009 to 30 June 2010

To receive and consider the Annual Financial Report, together with the Directors' and Auditor's Reports for the financial year ending 30 June 2010.

To consider and, if thought fit, pass the following resolutions as **ordinary** resolutions:

#### RESOLUTION 1: ADOPTION OF REMUNERATION REPORT

*"That, for all purposes, Shareholders adopt the Remuneration Report set out in the Directors' Report for the year ending 30 June 2010."*

Please note that the vote on this resolution is advisory only, and does not bind the Directors or the Company.

#### RESOLUTION 2: RE-ELECTION OF CRAIG MUNRO AS A DIRECTOR

*"That Craig Munro, a Director of the Company, having retired in accordance with clause 13.2 of the Company's Constitution and, being eligible for re-election, be re-elected as a Director of the Company."*

#### RESOLUTION 3: RE-ELECTION OF ROB LORD AS A DIRECTOR

*"That Mr Rob Lord, having been appointed as a Director of the Company on 17 August 2010 and being eligible for re-election in accordance with Clause 13.4 of the Constitution, be re-elected as a Director of the Company."*

#### RESOLUTION 4: APPOINTMENT OF AUDITOR

*"That for the purposes of Section 327B(1)(b) of the Corporations Act and for all other purposes, the Company appoints PricewaterhouseCoopers as auditors of the Company."*

## SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without amendment, the following resolutions as **ordinary** resolutions:

### RESOLUTION 5: APPROVAL OF THE EMPLOYEE SHARE OPTION PLAN

*“That, for the purposes of sections 200E and 260C(4) of the Corporations Act, Listing Rule 7.2 (Exception 9(b)) and for all other purposes, Shareholders approve and authorise the Directors to issue securities from time to time and to provide financial assistance upon the terms and conditions specified in the rules of the Bathurst Employee Share Option Plan, a summary of which is set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by the Directors of the Company (Mr Craig Munro, Mr Hamish Bohannan, Mr Gerald William Cooper and Mr Rob Lord) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

### RESOLUTION 6: RATIFICATION OF SECURITIES ISSUE

*“That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 11,000,000 ESOP Options under the Bathurst Employee Share Option Plan to the parties, on the terms set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

### RESOLUTION 7: ISSUE OF OPTIONS TO CRAIG MUNRO

*“That, for the purposes of ASX Listing Rules 10.14 or (in the event Shareholders do not approve Resolution 5) 10.11, Chapter 2E of the Corporations Act and for all other purposes, Shareholders approve for the benefit of Craig Munro under the Bathurst Employee Share Option Plan:*

- (a) the allocation of 2,500,000 Second Tranche ESOP Options;*
- (b) the provision of a non-recourse interest free loan for the acquisition of units under the Bathurst Employee Share Option Plan that will be issued for a consideration equal to the value of ESOP Options; and*
- (c) the possible provision, at the time of exercise of any ESOP Options, of a contribution by the Company to fund the exercise of ESOP Options,*

*on the terms set out in the Explanatory Statement”.*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a Director and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a

proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### **RESOLUTION 8: ISSUE OF OPTIONS TO HAMISH BOHANNAN**

*“That, for the purposes of ASX Listing Rules 10.14 or (in the event Shareholders do not approve Resolution 5) 10.11, Chapter 2E of the Corporations Act and for all other purposes, Shareholders approve for the benefit of Hamish Bohannan under the Bathurst Employee Share Option Plan:*

- (a) the allocation of 5,000,000 Second Tranche ESOP Options;*
- (b) the provision of a non-recourse interest free loan for the acquisition of units under the Bathurst Employee Share Option Plan that will be issued for a consideration equal to the value of ESOP Options; and*
- (c) the possible provision, at the time of exercise of any ESOP Options, of a contribution by the Company to fund the exercise of ESOP Options,*  
*on the terms set out in the Explanatory Statement”.*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a Director and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### **RESOLUTION 9: ISSUE OF OPTIONS TO GERALD COOPER**

*“That, for the purposes of ASX Listing Rules 10.14 or (in the event Shareholders do not approve Resolution 5) 10.11, Chapter 2E of the Corporations Act and for all other purposes, Shareholders approve for the benefit of Gerald Cooper under the Bathurst Employee Share Option Plan:*

- (a) the allocation of 4,000,000 Second Tranche ESOP Options ;*
- (b) the provision of a non-recourse interest free loan for the acquisition of units under the Bathurst Employee Share Option Plan that will be issued for a consideration equal to the value of ESOP Options; and*
- (c) the possible provision, at the time of exercise of any ESOP Options, of a contribution by the Company to fund the exercise of ESOP Options,*  
*on the terms set out in the Explanatory Statement”.*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a Director and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### **RESOLUTION 10: ISSUE OF FIRST TRANCHE ESOP OPTIONS TO ROB LORD**

*“That, for the purposes of ASX Listing Rules 10.14 or (in the event Shareholders do not approve Resolution 5) 10.11, Chapter 2E of the Corporations Act and for all other purposes,*

Shareholders approve for the benefit of Rob Lord under the Bathurst Employee Share Option Plan:

- (a) the allocation of 1,000,000 First Tranche ESOP Options ;
  - (b) the provision of a non-recourse interest free loan for the acquisition of units under the Bathurst Employee Share Option Plan that will be issued for a consideration equal to the value of ESOP Options; and
  - (c) the possible provision, at the time of exercise of any ESOP Options, of a contribution by the Company to fund the exercise of ESOP Options,
- on the terms set out in the Explanatory Statement”.

#### **RESOLUTION 11: ISSUE OF SECOND TRANCHE ESOP OPTIONS TO ROB LORD**

“That, for the purposes of ASX Listing Rule 10.14 or (in the event Shareholders do not approve Resolution 5) 10.11 , Chapter 2E of the Corporations Act and for all other purposes, Shareholders approve for the benefit of Rob Lord under the Bathurst Employee Share Option Plan:

- (a) the allocation of 2,500,000 Second Tranche ESOP Options ;
  - (b) the provision of a non-recourse interest free loan for the acquisition of units under the Bathurst Employee Share Option Plan that will be issued for a consideration equal to the value of ESOP Options; and
  - (c) the possible provision, at the time of exercise of any ESOP Options, of a contribution by the Company to fund the exercise of ESOP Options,
- on the terms set out in the Explanatory Statement”.

**Voting Exclusion:** The Company will disregard any votes cast on Resolutions 10 and 11 by a Director and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### **EXPLANATORY STATEMENT**

The Explanatory Statement accompanying this Notice of Meeting is incorporated in and comprises part of this Notice of Meeting.

Shareholders are specifically referred to the Glossary in the Explanatory Statement which contains definitions of capitalised terms used both in this Notice of Meeting and the Explanatory Statement.

#### **PROXIES**

Please note that:

- (a) a member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

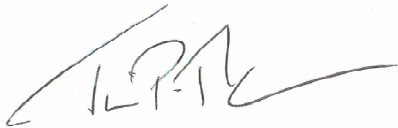
### **CORPORATE REPRESENTATIVE**

Any corporate Shareholder who has appointed a person to act as its corporate representative at the meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the meeting or handed in at the meeting when registering as a corporate representative. An appointment of corporate representative form is enclosed if required.

### **ENTITLEMENT TO ATTEND AND VOTE**

The Board has determined that, for the purposes of the meeting, Shareholders are those persons who are the registered holders of Shares at 7.00pm ESST on 27 November 2010 will be entitled to attend and vote at the Meeting.

### **BY ORDER OF THE BOARD OF DIRECTORS**



Tim Manners  
Joint Company Secretary  
Bathurst Resources Limited

29 October 2010

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## EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's Annual General Meeting to be held on 29 November 2010.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions.

This Explanatory Statement should be read in conjunction with the Notice of Meeting. Capitalised terms in this Explanatory Statement are defined in the Glossary.

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### 1 FINANCIAL STATEMENTS AND REPORTS

The Annual Financial Report, Directors' Report and Auditor's Report for the Company for the year ending 30 June 2010 will be laid before the meeting.

There is no requirement for Shareholders to approve these reports. However, the Chairman will allow a reasonable opportunity for Shareholders to ask questions or make comments about those reports and the management of the Company. Shareholders will also be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the preparation and content of the auditor's report.

In addition to taking questions at the meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- (a) the preparation and content of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the meeting date to the Company Secretary at PO Box 389, West Perth WA 6872.

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### 2 RESOLUTION 1: ADOPTION OF REMUNERATION REPORT

In accordance with Section 250R(2) of the Corporations Act, the Company must put a resolution that the Remuneration Report be adopted to Shareholders to vote at the Annual General Meeting. The Remuneration Report of the Company for the financial year ending 30 June 2010 is set out in the Director's Report on page 8 of the Company's Annual Financial Report as announced on 1 October 2010.

The Remuneration Report sets out the Company's remuneration arrangements for the executive and non-executive Directors and executive employees of the Company.

A reasonable opportunity will be given for the discussion of the Remuneration Report at the meeting. Shareholders should note that the vote on this resolution is advisory only and does not bind the Company or the Directors.

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**3 RESOLUTIONS 2 TO 3: RE-ELECTION OF DIRECTORS**

In accordance with clause 13.2 of the Constitution, at every Annual General Meeting, one third of the Directors for the time being must retire from office and are eligible for re-election. The Directors to retire are to be those who have been in office for 3 years since their appointment or last re-appointment or who have been longest in office since their appointment or last re-appointment or, if the Directors have been in office for an equal length of time, by agreement. Mr Craig Munro therefore retires at the forthcoming Annual General Meeting, and being eligible, offers himself for re-election at the Meeting.

A biography for Mr Munro appears at page 12 of the Company's annual report.

The Directors other than Mr Munro recommend that Shareholders vote in favour of Resolution 2.

In addition, clause 13.4 of the Constitution requires that any Director appointed by the Board, either to fill a casual vacancy or as an addition to the Board, must retire at the next Annual General Meeting following his or her appointment, but is eligible for re-election at that Annual General Meeting. Mr Rob Lord therefore retires at the forthcoming Annual General Meeting, and being eligible, offers himself for re-election at the Meeting.

Mr Lord was most recently Managing Director and Chief Executive Officer of Gloucester Coal Limited (ASX:GCL) where he led the company through a period of significant growth and profitability.

Prior to his appointment at Gloucester Coal, Mr Lord worked in the pulp and paper industry for 19 years, most recently as Executive Vice President responsible for the Australasian operations of Norwegian-based Norske Skog. Mr Lord has also worked in a variety of senior international marketing and sales roles including head of marketing and sales roles at Norske Skog Australasia, Fletcher Challenge Paper Australasia and Tasman Pulp and Paper in New Zealand.

The Directors other than Mr Lord recommend that Shareholders vote in favour of Resolution 3.

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**4 RESOLUTION 4: APPOINTMENT OF AUDITOR**

The Directors have reviewed the role of external statutory auditor for the Company and believe that it is appropriate for Shareholders to consider the appointment of a new firm to act as auditors of the Company. The existing auditors, WHK Horwath have agreed to resign as auditors of the Company. The resignation will become effective as from the date of the Annual General Meeting. ASIC has given its consent to the resignation of the current auditors

Resolution 4 seeks the approval of Shareholders to the appointment of PricewaterhouseCoopers as the new auditors of the Company. The Company has received the consent of PricewaterhouseCoopers to act as auditors of the Company. The appointment will become effective from the date of the Annual General Meeting.

In accordance with Section 328B(1) of the Corporations Act, the Directors have received a notice of nomination from a Shareholder of the Company for the appointment of PricewaterhouseCoopers as auditors of the Company. A copy of this notice of nomination is set out in Annexure A.

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## 5 RESOLUTION 5: APPROVAL OF THE EMPLOYEE SHARE OPTION PLAN

### 5.1 Background

In August 2010 the Company adopted an employee share option plan (“**ESOP**”) to provide Directors, senior executives, employees and consultants (“**ESOP Participants**”) with an opportunity to participate in the Company’s future growth and gives them an incentive to contribute to that growth.

The Directors consider the ESOP will enable the Company to retain and attract skilled and experienced directors, senior executives, employees and consultants and provide them with the motivation to make the Company more successful. The ESOP enables the Company to allocate ESOP Options and ESOP Shares to ESOP Participants to subscribe for Shares in the Company (via the ESOP Trust, which is described below).

A copy of the ESOP rules will be made available for inspection at the Company’s registered office before the Annual General Meeting and at the Annual General Meeting. A summary of the ESOP is contained in Annexure B. Those terms include the ability of the Company to provide financial assistance to purchase and exercise ESOP Options and ESOP Shares and, at the Board’s discretion, allow Options to be exercised after an ESOP Participant ceases to be employed by the Company. For the reasons set out below, Shareholder approval is required under the Corporations Act for these terms.

The main terms of the ESOP Options that may be granted under the ESOP are summarised in Annexure C.

### 5.2 ESOP Trust

The Company has established the Bathurst Resources Employee and Contractor Option Share Trust (“**ESOP Trust**” or “**Trust**”), the trustee of which is Trinity Management Pty Limited, a specialist employee share trust manager (“**Trustee**”). ESOP Options and ESOP Shares are allocated to the Trustee for the benefit of ESOP Participants. Beneficial interests in the ESOP Trust are divided into Share Units, which are allocated to ESOP Participants.

The key reasons for the establishment of the ESOP Trust are:

- (a) Bathurst has found that a traditional employee option plan on its own does not facilitate retention of shares by employees after exercise of their options. The reason is that many employees find it necessary to immediately sell their shares in order to fund the exercise of their options. The trust structure enables the exercise of ESOP Options to be funded from the Trust. This will enable Shares to be retained in the ESOP Trust for the benefit of ESOP Participants following the exercise of ESOP Options.
- (b) Facilitating the retention of shares for the benefit of employees after the exercise of options will also assist with the retention of key employees.
- (c) A traditional employee option plan on its own creates complex taxation issues for employees. The taxation issues for ESOP Participants arising from the ESOP Trust are simpler because the ESOP Participants hold Share Units in the ESOP Trust and they do not directly hold Options in the Company.

Under the terms of the ESOP, each Participant will be provided with a non-recourse loan equal to the value of the ESOP Options in order to enable the Participants to subscribe for Share Units in the ESOP Trust. See Annexure B for details.

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The Company, in providing either cash advances to the ESOP Trustee in relation to the issue of ESOP Options or any further advance to the ESOP Trustee in relation to the exercise of Options (see Annexure B for details), will not suffer any net cash outflow, because any payment by the Company to the ESOP Trustee will be matched by a payment for either subscription for the ESOP Options or payment of the exercise price by the ESOP Trustee respectively.

At the time of exercise of ESOP Options under the ESOP, there are a number of different funding mechanisms available for the payment to the Company for the exercise price. In order to allow Participants under the ESOP the opportunity to retain equity in the Company, the Company may consider a contribution to the ESOP equivalent to the exercise price, which allows the ESOP Trustee to use those funds to pay the exercise price, hence suffering no net cash outflow but providing the Trustee the opportunity to exercise the ESOP Options without needing to sell ESOP Shares to fund the exercise of ESOP Options. If the Company provides any such advance, the equivalent amount of funds will be repayable by the Participant to the Company either on realisation of the ESOP Shares or by a salary sacrificing mechanism. If such a mechanism is implemented in respect of a Director, the Company would be providing a financial benefit to the relevant Director, for which Shareholder approval is required. Resolutions 7 to 11 seek that approval for Messrs Munro, Bohannan, Cooper and Lord.

The Company will disclose beneficial interests in securities held by the Trustee in its annual report as required by the Listing Rules and Corporations Act.

### **5.3 Regulatory requirements**

Under the Corporations Act, shareholder approval is required where a company provides financial assistance under an employee share scheme or a person receives a benefit in connection with retiring from office or ceasing employment with a company. The ESOP potentially allows for financial assistance to acquire the Company's securities and for a benefit upon a person's retirement from office. The purpose of Resolution 5 is to obtain this approval.

Section 200B of the Corporations Act provides that a company may only give a person a 'benefit' in connection with their ceasing to hold a managerial or executive office position in the company if it is approved by shareholders or an exemption applies. Managerial or executive officers includes directors and senior executives.

Section 260C of the Corporations Act provides that a company may under an employee share scheme approved by shareholders, provide financial assistance for the acquisition of its own shares.

Listing Rule 7.1 provides that prior approval of a company's shareholders is required for an issue of securities if the securities will when aggregated with the securities issued by the company during the previous 12 months, exceed 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

Pursuant to Listing Rule 7.2 Exception 9(b), approval under Listing Rule 7.1 is not required for an issue of securities under an employee incentive scheme if shareholders have approved the Company issuing securities under the scheme as an exception to Listing Rule 7.1 within the 3 year period before the proposed date of issue.

Accordingly, Shareholder approval is sought pursuant to Resolution 5 so that the Company may allocate ESOP Options to the ESOP Trust (held on behalf of ESOP Participants) from time to time and issue ESOP Shares upon the exercise of those ESOP Options, without

limiting its ability to issue securities representing up to 15% of the Company's share capital under Listing Rule 7.1.

There is no longer any requirement under the ASX Listing Rules for shareholders to approve the establishment or operation of an employee incentive scheme. Accordingly, if Resolution 5 is not passed, the ESOP will be maintained, however any securities issued under the ESOP will count towards the 15% restriction under Listing Rule 7.1. Furthermore, the Board's discretion to provide post retirement benefits or for the Company to fund the issue and exercise of securities under the ESOP may be limited so that purpose of the ESOP, namely to attract and retain key senior executives, may not be achieved.

The Company will seek Shareholder approval in accordance with the Listing Rules prior to issuing any ESOP Options under the ESOP for the benefit of Directors or their associates.

#### 5.4 ESOP Options allocated to-date

To date, the Company has granted the following ESOP Options for the benefit of ESOP Participants under the ESOP:

ESOP Participant	ESOP Options	Exercise price	Expiry Date
Tim Manners	2,000,000 <sup>1</sup>	\$0.15	30 September 2013
Auscorp Network Pty Limited	1,000,000 <sup>1</sup>	\$0.15	30 September 2013
Steve O'Dea	1,000,000 <sup>1</sup>	\$0.15	30 September 2013
David Griffiths	1,000,000 <sup>1</sup>	\$0.15	30 September 2013
Graham Anderson	3,000,000 <sup>1</sup>	\$0.15	30 September 2013
Cappig Finance Pty Limited	3,000,000 <sup>1</sup>	\$0.15	30 September 2013
Craig Munro	2,000,000 <sup>2</sup>	\$0.15	30 September 2013
Hamish Bohannon	5,000,000 <sup>2</sup>	\$0.15	30 September 2013
Gerald Cooper	2,500,000 <sup>2</sup>	\$0.15	30 September 2013
Total	20,500,000		

<sup>1</sup> Ratification of this issue is being sought under Resolution 6.

<sup>2</sup> Shareholders approved the grant of these ESOP Options on 18 August 2010 and the ESOP Options were granted shortly thereafter.

#### 5.5 Recommendation

The Board recommends that Shareholders approve the ESOP. It will allow the Company to issue securities for the benefit of ESOP Participants whilst preserving the Company's 15% limit of issuing securities and provide flexibility in the manner in which the ESOP is managed.

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## **6 RESOLUTION 6: RATIFICATION OF PRIOR SECURITY ISSUE**

### **6.1 Background**

On 24 August 2010 the Company granted 11,000,000 ESOP Options for the benefit of ESOP Participants under the ESOP. The grant was made without Shareholder approval, and is therefore included when determining the Company's 15% capacity for the purposes of Listing Rule 7.1.

Listing Rule 7.4 allows issues of securities made without approval under Listing Rule 7.1 to be treated as having been made with approval for the purpose of Listing Rule 7.1 if:

- (a) the issue did not breach Listing Rule 7.1; and
- (b) the company's members subsequently approve it.

Accordingly, under Resolution 6, the Company seeks Shareholder approval for the purposes of Listing Rule 7.4 to ratify the grant of 11,000,000 ESOP Options to ensure that the Company does not use up or exceed its 15% capacity and retains the capacity to issue further securities.

### **6.2 Information required by Listing Rule 7.5**

In accordance with Listing Rule 7.5, the following information is given to Shareholders:

- (a) 11,000,000 ESOP Options were allocated.
- (b) The ESOP Options were issued under the Company's ESOP for a price equal to their arm's length value determined in accordance with accounting standard AASB2 using the Black-Scholes valuation method.
- (c) The terms of the ESOP and ESOP Options are set out in Annexures B and C respectively.
- (d) The ESOP Options were granted to the Trustee for the benefit of the persons set out in section 5.4 above.
- (e) As described in Annexure B, the ESOP Trustee provided an interest free loan to the allottees equal to the value of the ESOP Options to enable the allottees to subscribe for Share Units in the ESOP Trust. The Share Units were issued for a consideration equal to the value of the ESOP Options issued for the benefit of the allottees and no funds were raised from the issue. The Directors considered the loans did not materially prejudice the Company or its Shareholders, or the Company's ability to pay its creditors. The issue price of the ESOP Options was \$0.1271 per ESOP Option.

### **6.3 Director recommendation**

The Board believes that the ratification of this issue is beneficial for the Company and recommends that Shareholders vote in favour of Resolution 5. This is because it allows the Company to retain the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months.

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## **7 RESOLUTIONS 7 TO 11: ISSUE OF OPTIONS TO DIRECTORS**

### **7.1 Background**

Shareholders are being asked to approve Resolutions 7 to 11 to allow ESOP Options to be allocated on behalf of the Directors as set out below and for the provision of non-recourse loans:

Director	First Tranche ESOP Option	Second Tranche ESOP Options	
		Vest upon grant	Vest upon satisfaction of Performance Hurdle
Craig Munro	-	1,250,000	1,250,000
Hamish Bohannan	-	2,500,000	2,500,000
Gerald Cooper	-	2,000,000	2,000,000
Rob Lord	1,000,000	1,250,000	1,250,000

As announced on 23 August 2010 and consistent with the issue of Options to the Company's other Directors on or about 20 August 2010, the Company has, subject to Shareholder approval, agreed to issue the First Tranche ESOP Options and for the provision of non-recourse loans to Mr Lord.

The First Tranche ESOP Options have an exercise price of \$0.21, expire on 30 September 2013, vest immediately and are otherwise on the terms set out in Annexure B to this Explanatory Statement and in accordance with ESOP rules. The First Tranche ESOP Options have the same exercise date as those granted to Messrs Munro, Bohannan and Cooper following Shareholder approval in August 2010.

The Second Tranche ESOP Options have an exercise price of \$0.40 and expire on 31 December 2013. Half of the Second Tranche ESOP Options vest immediately and the remaining half vest upon the first 25,000 tonnes of coal being shipped from the Company's Buller coal project ("**Performance Hurdle**"). The Second Tranche ESOP Options are otherwise on the same terms as the First Tranche ESOP Options (and which are set out in Annexure B to this Explanatory Statement) and are in accordance with ESOP rules.

The ESOP Options and non-recourse loans amount to a financial benefit. The Directors are related parties for the purposes of the Corporations Act. Resolutions 7 to 11 must be approved for the Directors Options to be issued and for the non-recourse loans to be provided.

## 7.2 ASX Listing Rules and Corporations Act

Resolutions 7 to 11 seeks Shareholder approval in order to comply with the requirements of ASX Listing Rules 10.14 or, in the event Shareholders do not approve Resolution 5, 10.11 and section 208 of the Corporations Act.

### **ASX Listing Rules 10.11 and 10.14**

Listing Rule 10.11 provides a general restriction against issuing securities to directors without shareholder approval.

Listing Rule 10.14 provides that a company must not issue equity securities (including options to acquire shares) to a director of the company under an employee incentive scheme unless the issue has been approved by shareholders by ordinary resolution. If approval is given by shareholders under Listing Rule 10.14, separate shareholder approval is not required under Listing Rule 10.11.

Under Resolutions 7 to 11, the Company seeks approval from Shareholders for the issue of ESOP Options to Directors who by virtue of their position as directors of the Company are

related parties of the Company. Shareholder approval is sought under Listing Rule 10.11 in the event Shareholders do not approve Resolution 5.

### **Section 208 Corporations Act**

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. The issue of the ESOP Options under Resolutions 7 to 11 constitute the provision of a financial benefit to a related party. Section 229 of the Corporations Act includes as an example of a financial benefit, the issuing of securities or the granting of an option to a related party.

A “related party” is widely defined under the Corporations Act, and includes the Directors of the Company. They are related party of the Company for the purposes of section 228 of the Corporations Act.

A “financial benefit” is construed widely and in determining whether a financial benefit is being given, section 229 of the Corporations Act requires that any consideration that is given is disregarded, even if the consideration is adequate. It is necessary to look at the economic and commercial substance and the effect of the transaction in determining the financial benefit.

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within an exception to the provision; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

### **7.3 Information Requirements for Listing Rule 10.14 or (in the event Shareholders do not approve Resolution 5) 10.11**

As required by Listing Rules 10.15 and (in the event Shareholders do not approve Resolution 5), 10.11, the following information is provided:

- (a) The ESOP Options will be issued to the Trustee, who will hold them for the benefit of the respective Director.
- (b) The maximum number of securities to be issued on behalf of the Directors under Resolutions 7 to 11 is 15,000,000.
- (c) The ESOP Options will be issued under the Company’s ESOP for a price equal to their arm’s length value determined in accordance with accounting standard AASB2 using the Black-Scholes valuation method. The First Tranche ESOP Options have an exercise price of \$0.21 and expire on 30 September 2013. The Second Tranche ESOP Option have an exercise price of \$0.40 and expire on 31 December 2013. The circumstances in which the ESOP Options vest are set out above. The issue price of the First Tranche ESOP Options is \$0.0983 (being the arms length value determined in accordance with accounting standard AASB2 using the Black-Scholes method of valuation and the prevailing Share price at the time the Company agreed on 20 August 2010 and subject to Shareholder approval, to issue the First Tranche ESOP Options). The issue price of the Second Tranche ESOP Options which vest immediately is \$0.20, and \$0.15 for those ESOP Options which vest upon the occurrence of the Performance Hurdle.
- (d) No persons referred to in ASX Listing Rule 10.14 have received securities under the ESOP since the last approval.
- (e) All Directors and their nominees are entitled to participate in the ESOP.
- (f) A voting exclusion statement is set out above.



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- (g) The terms upon which loans associated with the issue the subject of Resolutions 7 to 11 will be made are set out in Annexure B. The loan to the Participant will be used to fund the acquisition of the ESOP Options and no funds will be raised from the loan. Annexure B sets out the circumstance in which loans are repaid to the Company.
  - (h) The latest date that the Company will issue securities under Resolutions 7 to 11 will be no later than 1 month after the Meeting.

If approval is given under Resolutions 7 to 11, approval for the issue of First Tranche ESOP Option and Second Tranche ESOP Option will not require shareholder approval under Listing Rule 7.1.

#### **7.4 Information Requirements for Chapter 2E**

For the purposes of section 219 of the Corporations Act the following information is provided to Shareholders to enable them to assess the merits of Resolutions 7 to 11.

The proposed financial benefits to be given are:

- (a) the grant of ESOP Options as set out above;
- (b) the provision of a non-recourse interest free loan for the acquisition of Share Units under the ESOP Trust that will be issued for a consideration equal to the value of the ESOP Options to be allocated for the benefit of the Directors; and
- (c) the possible provision, at the time of exercise of any ESOP Options, of a contribution by the Company to fund the exercise of Options to be allocated for the benefit of the Directors.

The Company currently has on issue 236,315,015 Shares and 34,975,985 Options. On 5 October 2010 the Company announced a capital raising to finance its Buller coking coal project, which will result in up to 367,227,380 Shares and 14,689,091 Options being issued ("**Capital Raising**").

Each Director's interest in the Company is as set out in Annexure D.

If the ESOP Options the subject of Resolutions 7 to 11 are exercised, the Company's issued share capital will increase by 15,000,000 Shares representing 5.97% of the issued share capital of the Company (assuming no other securities are issued or exercised), diluting other Shareholders by a corresponding amount.

#### **7.5 Other information that is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors**

It is a requirement of ASIC that a dollar value be placed on financial benefits given to be issued to a company's directors and for which shareholder approval is required.

The Black-Scholes option price calculation method is regarded as acceptable by ASIC as a valuation model where the ESOP Options cannot be readily valued by some other means.

##### ***First Tranche ESOP Options***

In determining the dollar value for the financial benefit to be provided to Mr Lord by the provision of the non-recourse loans and the allocation of the First Tranche ESOP Options, the Company is required to disclose the following assumptions made:

- Allocation date of 5 December 2010;
- Share price of \$0.3931 (being the approximate prevailing Share price at the date of this Notice of Meeting);

- Exercise price of \$0.21;
- No vesting period;
- Call life of 2.8219 years;
- Volatility of 72.9807% p.a.;
- Risk-free rate of 5.23%; and
- Lost dividend yield of 0%.

Applying the above assumptions, the dollar value of the financial benefit to be provided to Directors by the provision of the non-recourse loans and the allocation of the First Tranche ESOP Option is \$0.256 per First Tranche ESOP Option.

#### **Second Tranche ESOP Options**

In determining the dollar value for the financial benefit to be provided to Directors by the provision of non-recourse loans and the allocation of the Second Tranche ESOP Options, the Company is required to disclose the following assumptions made:

- Allocation date of 5 December 2010;
- Share price of \$0.3931 (being the approximate prevailing Share price at the date of this Notice of Meeting);
- Exercise price of \$0.40;
- Call life of 3.07 years;
- Volatility of 72.9807% p.a.;
- Risk-free rate of 5.23%;
- Lost dividend yield of 0%; and
- for the purposes of vesting, the probability that the Performance Hurdle would be achieved of 75%.

Applying the above assumptions, the dollar value of financial benefit to be provided to Directors by the provision of non-recourse loans and the allocation of the Second Tranche ESOP Options:

- (a) vesting immediately is \$0.20 per Second Tranche ESOP Option; and
- (b) vesting upon satisfaction of the Performance Hurdle is \$0.15 per Second Tranche ESOP Option.

#### **Directors' salaries and entitlements**

The Directors' base salaries per annum (including superannuation), or consulting fees and the total financial benefit to be received by them to 30 June 2011, when added to the implied "value" to be received by the Directors as a result of the financial benefit the subject of Resolutions 7 to 11 are as follows:

Director	Base salaries per annum (including superannuation), or consulting fees (\$)	Value of financial benefit (\$)	Total financial benefit (\$)
Craig Munro	\$60,000 2,000,000 First	Second Tranche ESOP Options that vest upon grant - \$250,000	\$437,500

Director	Base salaries per annum (including superannuation), or consulting fees (\$)		Value of financial benefit (\$)	Total financial benefit (\$)
	Tranche Options <sup>1</sup>	ESOP	Second Tranche ESOP Options that vest upon satisfaction of the Performance Hurdle - \$187,500	
Hamish Bohannan	\$276,000 5,000,000 Tranche Options <sup>1</sup>	First ESOP	Second Tranche ESOP Options that vest upon grant - \$500,000 Second Tranche ESOP Options that vest upon satisfaction of the Performance Hurdle - \$375,000	\$875,000
Gerald Cooper	\$285,000 2,500,000 Tranche Options <sup>1</sup>	First ESOP	Second Tranche ESOP Options that vest upon grant - \$400,000 Second Tranche ESOP Options that vest upon satisfaction of the Performance Hurdle - \$300,000	\$700,000
Rob Lord	\$36,000		First Tranche ESOP Options – \$256,000 Second Tranche ESOP Options that vest upon grant - \$250,000 Second Tranche ESOP Options that vest upon satisfaction of the Performance Hurdle - \$187,500	\$693,500

<sup>1</sup> Shareholders approved the grant of these ESOP Options on 18 August 2010 which were granted after the Company adopted the ESOP.

There is a potential benefit that accrues to the Directors if the market trading price of the Shares issued following exercise of the ESOP Options exceeds the exercise price. This benefit would accrue on the sale of the Shares for an amount in excess of the exercise price.

## 7.6 Trading History

Over the last 12 months the Shares have traded between \$0.065 cents per Share (lowest) and \$0.525 cents per Share (highest). The latest trading price available at the time of preparing this Notice of Meeting was \$0.385 cents per Share.

## 7.7 Directors' Recommendations

Each of the Directors decline to make a recommendation in relation to Resolutions 7 to 11 as they have a material personal interest in their outcomes to the extent that the Resolutions provide for the issue of ESOP Options to them.

Due to the operation of section 195(4) of the Corporations Act, the Directors have only considered the subject matter of Resolutions 7 to 11 to the extent necessary to convene the Meeting for the purposes of Shareholders considering the Resolutions and to prepare the necessary meeting documentation.

## GLOSSARY

<b>ASTC Settlement Rules</b>	the settlement rules of ASX Settlement Pty Limited (ABN 49 008 504 532).
<b>ASX</b>	ASX Limited.
<b>ASX Listing Rules or Listing Rules</b>	the Listing Rules of the ASX.
<b>Capital Raising</b>	has the meaning given in section 7.4 of the Explanatory Statement.
<b>Company</b>	Bathurst Resources Limited ACN 125 679 469.
<b>Constitution</b>	the constitution of the Company.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>Director</b>	director of the Company.
<b>ESOP</b>	Bathurst Employee Share Option Plan as defined in section 5 of the Explanatory Statement.
<b>ESOP Options</b>	Options issued under the ESOP and on the terms in Annexure C.
<b>ESOP Participant or Participant</b>	has the meaning given in section 5 of the Explanatory Statement.
<b>ESOP Share</b>	means a Share either issued on exercise of an ESOP Option or otherwise issued under the ESOP.
<b>ESOP Trust or Trust</b>	means the Bathurst Resources Employee and Contractor Option Share Trust.
<b>ESOP Trustee</b>	has the meaning given in section 5 of the Explanatory Statement.
<b>Explanatory Statement</b>	the explanatory statement that accompanies this Notice.
<b>First Tranche ESOP Options</b>	an Option issued under the ESOP with an exercise price of \$0.21 and an expiry date of 30 September 2013, and otherwise on the terms set out in the Explanatory Memorandum.
<b>Meeting or Annual General Meeting</b>	the meeting convened by the Notice of Meeting.
<b>Notice or Notice of Meeting</b>	this Notice of General Meeting.
<b>Option</b>	means an option to acquire a Share.
<b>Performance Hurdle</b>	the first 25,000 tonnes of coal being shipped from the Company's Buller coal project.
<b>Resolution</b>	the resolution set out in the Notice of Meeting.
<b>Second Tranche ESOP Options</b>	an Option issued under the ESOP with an exercise price of \$0.40 and an expiry date of 31 December 2013, and otherwise on the terms set out in the Explanatory Memorandum.

<b>Share</b>	fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	holder of a Share in the Company.
<b>Share Unit</b>	means a unit in the ESOP Trust, and represents a ESOP Option or ESOP Share.
<b>ESST</b>	Eastern Summer Standard Time.

**ANNEXURE "A"**

**Nomination of Auditor by Shareholder**

**CAPPIG FINANCE PTY LTD**



7<sup>th</sup> October 2010

The Company Secretary  
Bathurst Resources Limited  
Suite 5, 1327 Hay Street  
West Perth WA 6005

**Subject: Nomination of Auditor**

Dear Sir

In accordance with the provisions of section 328B of the Corporations Act 2001, Cappig Finance Pty Ltd, being a member of Bathurst Resources Limited, hereby nominates PricewaterhouseCoopers for appointment as auditor of that company.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Peter Sheppeard'.

Peter Sheppeard  
Director  
Cappig Finance Pty Ltd

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## ANNEXURE "B"

### Terms and Conditions of ESOP

The Bathurst Employee Share Option Plan (ESOP) is constituted by the Plan Rules, Trust Deed, Option Plan and Trust Handbook, and invitations made under the ESOP. Following is a summary of the terms and conditions of the ESOP:

1. Purpose – The purpose of the ESOP is to assist in the recruitment, reward, retention and motivation of ESOP Participants of the Company.
2. Eligibility – The Board may from time to time in its absolute discretion invite ESOP Participants of the Company to participate in the ESOP through the issue of Options and/or Shares on such terms as it sees fit.
3. Offers – Invitations to invited ESOP Participants must set out the number of ESOP Options, vesting terms, amounts payable upon issue of ESOP Options, applicable performance conditions (if any), restrictions on dealings with securities under the ESOP and any other conditions. ESOP Options will be issued at their arms length value determined in accordance with accounting standard AASB2 using the Black-Scholes method of valuation.

Offers will not be made where the issue would result in the Company exceeding the limit that applies under ASIC Class Order 03/184 in respect of new issues of securities under employee share schemes.

4. ESOP Trust – The Company has established the Trust for the purpose of administering the ESOP and holding ESOP Options and ESOP Shares offered under the ESOP. The Company will make a payment to the Trust equal to the value of the ESOP Options and ESOP Shares. The Trustee grants Share Units to ESOP Participants which are referable to Options and Shares held by the Trust. Share Units are not transferable.

ESOP Participants may at any time (subject to vesting conditions) request that the Trustee transfer legal and beneficial title to ESOP Shares the subject of Share Units to the ESOP Participant. Bonus Share Units are issued by the Trust to the ESOP Participant when the ESOP Participant redeems Share Units equal to the value of the loan advanced by the Trust to the employee for the initial acquisition of Share Units (being the issue price of ESOP Options). The effect of this is that at the time ESOP Shares are sold the ESOP Participant will receive the value of the purchase price of the ESOP Options.

ESOP Participants are entitled to any dividends paid on their ESOP Shares which are held by the Trust.

5. Loan – The Trustee will lend ESOP Participants, on a non-recourse basis, amounts to enable them to accept offers for ESOP Options and ESOP Shares under the ESOP and to exercise ESOP Options. Interest may be charged at the Trustee's discretion in consultation with the Company. The loan is repayable upon the Share Units being cancelled or the underlying ESOP Options or ESOP Shares lapsing, sold or being transferred to the ESOP Participant, and occurs through the redemption of Share Units. The effect of this is that full consideration is provided by the ESOP Participant for the issue and exercise of securities under the ESOP.

If following the exercise of ESOP Options, the ESOP Shares are sold, the ESOP Participant's Share Units are redeemed and the Employee receives an amount equivalent to the net consideration from the sale of the ESOP Shares (less repayment of any outstanding loans and other amounts owing by the ESOP Participant used to fund the exercise of ESOP Options) so that the Company is fully reimbursed for amounts loaned for the exercise of ESOP Options under the ESOP. Other than this no funds will be repaid to the Company under loans.

6. Dealings with Options – Options granted under the ESOP may only be transferred with the prior consent of the Board or by force of law following the death or bankruptcy of an ESOP Participant.

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7. Vesting, exercise and lapse – ESOP Options will only vest when any performance conditions specified at the time of grant have been satisfied. ESOP Options lapse on the earlier of (amongst other things):
- a. any date specified by the Board; or
  - b. 60 days after the holder ceasing employment or contractual relations with the Company unless the Board determines otherwise.

Once any vesting conditions are satisfied an ESOP Participant can direct the Trustee to exercise ESOP Options. If the Trustee requires additional funds to exercise the options, Bathurst may advance the funds to the Trust.

ESOP Participants ceasing employment or contractual obligations before ESOP Options are vested will have their Share Units redeemed for their issue price and the loan (used to fund the exercise of the ESOP Options) repaid. ESOP Participants ceasing employment after ESOP Options have vested will have their ESOP Options exercised and ESOP Shares sold, so that they can receive the net proceeds after any outstanding loans to exercise ESOP Options have been repaid.

8. Takeovers, schemes of arrangement and winding-up – In the event of a takeover bid being made for Shares in the Company, the Board recommending that Shareholders accept any takeover bid, or a takeover bid becoming unconditional, the Board may, having regard to the performance conditions relating to ESOP Options, determine that unvested ESOP Options vest on a pro rata basis and can be exercised within a specific period, failing which they lapse.
9. Withholding – The Company is entitled, if required, to reimbursement by an ESOP Participant for any income or employment taxes resulting from the issue of ESOP Options or ESOP Shares.
10. Amendments – The Board can make such amendments to the ESOP or ESOP Option terms as it sees fit, subject to the ASX Listing Rules. The Board may also make amendments to performance conditions attaching to ESOP Options if it is determined that the original performance condition is no longer appropriate or necessary, provided that the interests of the relevant ESOP Participant are not, in the opinion of the Board, materially prejudiced or advantaged relative to the position reasonably anticipated at the time of grant.  
  
Amendments to ESOP Option terms are subject to the Listing Rules and may not reduce the rights of an ESOP Participant in respect of granted ESOP Options or ESOP Shares other than amendments introduced primarily for the purpose of complying with present or future laws, correcting manifest errors or changes in tax laws.
11. Overseas ESOP Participants – The Board may decide that ESOP Options held by ESOP Participants who suffer a tax disadvantage or restrictions on their ability to deal with their ESOP Options or ESOP Shares transferred overseas vest prior to the transfer.  
  
ESOP Options granted to overseas residents are subject to such alterations or conditions as the Board considers necessary having regard to relevant local laws.
12. Terms of ESOP Shares – Shares issued under the ESOP are fully paid ordinary shares in the capital of the Company, and (subject to repayment of any loan) are freely transferable by the ESOP Participant.
13. Operation – The operation of the ESOP is subject to the Listing Rules and Corporations Act.



## ANNEXURE "C"

### Terms and Conditions of ESOP Options

1. The Options shall be issued for consideration equal to their arm's length value determined in accordance with accounting standard AASB2.
2. The expiry date and vesting conditions (if any) for Options will be determined at the time of issue.
3. Each Option shall confer the right to subscribe for one fully paid ordinary share, ranking pari passu with the fully paid ordinary Shares of the Company on issue at the date of allotment of such Shares.
4. The Options will not be listed for Official Quotation on ASX Limited and may be transferred to a related entity at any time in whole or part in accordance with the rules of the ESOP.
5. A certificate will be issued for the Options ("Option Certificate"). On the reverse side of the Option Certificate there will be endorsed a statement of the rights of the optionholder and a notice that is to be completed when exercising the Options ("Exercise Notice"). If there is more than one Option comprised in this certificate and prior to the Expiry Date those Options are exercised in part, the Company will issue another certificate for the balance of the Options held and not yet exercised.
6. The Options shall be exercisable by completing and lodging the Exercise Notice set out in the Option Certificate at any time on or before the Expiry Date.
7. An Option may only be exercised after that Option has vested, after any conditions associated with the exercise of the Option are satisfied and before its expiry date.
8. If the Company enters into a scheme of arrangement, a takeover bid is made for the Company's Shares, or a party acquires a sufficient interest in the Company to enable them to replace the Board (or the Board forms the view that one of those events is likely to occur) then the Board may declare an Option to be free of any conditions of exercise. Options which are so declared may be exercised at any time on or before they expire, or lapse.
9. There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least 6 ASX Business Days after the issue is announced.
10. If the Company makes an issue of Shares to Shareholders by way of capitalisation of profits or reserves ("Bonus Issue"), each optionholder holding any Options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to have issued to him upon exercise of any of those Options the number of Shares which would have been issued under the Bonus Issue ("Bonus Shares") to a person registered as holding the same number of Shares as that number of Shares to which the optionholder may subscribe pursuant to the exercise of those Options immediately before the record date determining entitlements under the Bonus Issue (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise).
11. In the event that the Director no longer remains as the Director of the Company, the Director retains the right to the Options and the right to exercise the Options at any time on or before that lapse.
12. In the event of any re-organisation (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any Options, all rights of the Option holder will be changed to the extent necessary to comply with the Listing Rules applying to the re-organisation of capital at the time of the re-organisation in accordance with the Listing Rules.

13. In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of Options may be reduced according to the following formula:

$$O' = O - \frac{E[P - (S + D)]}{N + 1}$$

Where

- O' = the new exercise price of the Option.
- O = the old exercise price of the Option.
- E = the number of underlying securities in the Company into which one option is exercisable.
- P = the average market price per security (weighted by reference to volume) of the underlying securities in the Company during the five (5) trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price for a security under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue).
- N = the number of securities with rights or entitlements that must be held to receive a right to one new security in the Company.

14. The option lapses:

- (a) if the Option has not been exercised at the Expiry Date;
- (b) three (3) months after the ESOP Participant ceases to be an employee of the Company or three (3) months after formal cessation of the Contractors contract with the Company;
- (c) if the Board becomes aware of circumstances which, in the reasonable opinion of the Board indicate that the ESOP Participant has acted fraudulently, dishonestly or in a manner which is in breach of his or her obligations or contractual responsibilities to the Company, and the Board (in its absolute discretion) determines that the Option lapses; or
- (d) if the Company commences to be wound up.

**ANNEXURE "D"**

**Director's interest in the Company**

	Shares currently held <sup>1</sup>		Options currently held <sup>2</sup>		Options to be granted under Resolutions 7 to 11 <sup>3</sup>	
	Number	% of total Shares on issue	Number	% of total Options on issue <sup>2</sup>	Number	% of total capital <sup>3</sup>
Craig Munro	200,000	0.084	2,000,000 unlisted Options exercisable at A\$0.15 expiring on 30 June 2013	0.572	2,500,000	0.92
Hamish Bohannan	5,645,000	2.34	2,400,000 unlisted Options exercisable at A\$0.42 expiring on 1 September 2011 5,000,000 unlisted Options exercisable at A\$0.15 expiring on 30 June 2013	21.16	5,000,000	1.84
Gerald Cooper	200,000	0.084	500,000 unlisted Options exercisable at A\$0.42 expiring on 31 October 2011 500,000 unlisted Options exercisable at A\$0.42 expiring on 31 October 2012 500,000 unlisted Options exercisable at A\$0.42 expiring on 31 October 2013 2,500,000 unlisted Options exercisable at A\$0.15 expiring on 30 June 2013	11.44	4,000,000	1.47
Rob Lord	217,000	0.092	0	0	3,500,000	1.29

1 There are currently 236,315,015 Shares on issue.

2 There are currently 34,975,985 Options on issue

3 This is on a fully diluted basis and assuming all of the ESOP Options the subject of Resolutions 7 to 11 are approved, but that no other securities are issued (including under the Capital Raising).

**PROXY FORM**

**APPOINTMENT OF PROXY  
BATHURST RESOURCES LIMITED  
ACN 125 679 469**

**ANNUAL GENERAL MEETING**

I/We

of

being a member of Bathurst Resources Limited entitled to attend and vote at the Annual General Meeting, hereby

Appoint

Name of proxy

OR  the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the Annual General Meeting to be held at 10am (ESST), on 29 November 2010 at Sofitel Sydney Wentworth, 61-101 Phillip St, Sydney, New South Wales, and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the Resolutions. If the Chair of the Meeting is appointed as proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in the box.

By marking this box, you acknowledge that the Chair of the Meeting may exercise your proxy even if he has an interest in the outcome of the Resolutions and that votes cast by the Chair of the Meeting for those Resolutions other than as proxy holder will be disregarded because of that interest.

If you do not mark this box, and you have not directed your proxy on how to vote, the Chair will not cast your votes on the Resolutions and your votes will not be counted in calculating the required majority if a poll is called on the Resolution.

<b>Voting on Business of the Annual General Meeting</b>	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
Resolution 1 – Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Re- Election of Craig Munro as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Re-Election of Rob Lord as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Approval of the Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Ratification of prior securities issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Issue of Options to Craig Munro	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 – Issue of Options to Hamish Bohannan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 – Issue of Options to Gerard Cooper	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10 – Issue of First Tranche ESOP Options to Rob Lord	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11 – Issue of Second Tranche ESOP Options to Rob Lord	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please note:** If you mark the abstain box, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**Signature of Member(s):** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Individual or Member 1**

**Member 2**

**Member 3**

**Sole Director/Company Secretary**

**Director**

**Director/Company Secretary**

**Contact Name:** \_\_\_\_\_ **Contact Ph (daytime):** \_\_\_\_\_

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## BATHURST RESOURCES LIMITED

ACN 125 679 469

### Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a Proxy):** A member entitled to attend and vote at an Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
  - **(Individual):** Where the holding is in one name, the member must sign.
  - **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
  - **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
  - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the Annual General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Annual General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

***Post or in person:***

To Bathurst Resources Limited, Suite 5, 1327 Hay Street, West Perth WA 6005; or

***Facsimile:***

To the Company on facsimile number +61 8 9481 2001,

so that it is received no later than **10am (ESST) on 27 November 2010.**

**Proxy Forms received later than this time will be invalid**

**CORPORATE REPRESENTATIVE FORM**

**Shareholder Details**

This is to certify that by a resolution of the Directors of:

..... (Company),  
Insert name of shareholder company

the Company has appointed:

.....,  
Insert name of corporate representative

in accordance with the provisions of section 250D of the Corporations Act 2001, to act as the body corporate representative of that company at the meeting of the members of Bathurst Resources Limited to be held on 29 November 2010 and at any adjournments of that meeting/all meetings of the members of Bathurst Resources Limited.

DATED ..... 2010

**Please sign here**

Executed by the Company )  
in accordance with its constituent documents )  
)

.....  
Signed by authorised representative

.....  
Signed by authorised representative

.....  
Name of authorised representative (print)

.....  
Name of authorised representative (print)

.....  
Position of authorised representative (print)

.....  
Position of authorised representative (print)

**Instructions for Completion**

1. Insert name of appointor Company and the name or position of the appointee (eg "John Smith" or "each director of the Company").
2. Execute the Certificate following the procedure required by your Constitution or other constituent documents.
3. Print the name and position (eg director) of each company officer who signs this Certificate on behalf of the company.
4. Insert the date of execution where indicated.
5. Send or deliver the Certificate to the registered office of Bathurst Resources Limited at Suite 5, 1327 Hay Street, West Perth WA 6005 or fax the Certificate to the registered office at +61 8 9481 2001.

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