Bathurst
RESOURCES LTD

ACN 125 679 469

Interim Financial Report

for the half year ended 31 December 2008

Contents

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 the Australian 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
Level 2
16 Altona 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.

Corporate Information

Directors:

Richard Monti
Chairman

Hamish Bohannan
Managing Director

Billy Shelton
Executive Director

Charles Griffith
Non Executive Director

Company Secretary:
Joshua Ward

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

Postal Address:
P.O. Box 902
WEST PERTH WA 6872

Auditors:
WHK Horwath
256 St Georges Terrace
PERTH WA 6000

Solicitors - Perth:
Steinepreis Paganin
Level 4, Next Building
16 Milligan Street
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

Directors' Report

Your Directors have pleasure in submitting the interim financial report of the Group for the half-year ended 31 December 2008.

DIRECTORS

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

John Hannaford	Non Executive Chairman (appointed 30/5/07 – resigned 27/2/09)
Frank Ashe	Non Executive Director (appointed 26/10/07 – resigned 27/2/09)
Richard Monti	Non Executive Chairman (appointed 30/5/07)
Hamish Bohannan	Managing Director (appointed 8/9/08)
Billy Shelton	Executive Director (appointed 8/9/08)
Charles Griffith	Non Executive Director (appointed 17/2/09)

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 of gold and base metals on the Mt Clifford project in Western Australia and the production of coal in the USA. On 8 October 2008 the Group relinquished all of its interests in the Mt Clifford project.

RESULTS

The net loss of the Group for the period ended 31 December 2008 amounted to $4,129,575 (2007: loss of $193,463).

OPERATING AND FINANCIAL REVIEW

On 16 July 2008, the company signed an option agreement to purchase up to 100% of C&R Holding of Eastern Kentucky LLC, a company with operating coal mining assets in the USA. At a shareholders meeting on 8 September 2008, the acquisition of 100% of C&R was approved, and directors Billy Shelton and Hamish Bohannan were appointed to the Board.

Pursuant to the acquisition, the Group announced its maiden JORC Code compliant mineral resource and ore reserve estimate. Following this, the Group undertook a placement in September to raise $1.08m to be used for working capital and with the intent of increasing the production profile of its US assets. Consequently, the Board decided to relinquish its interest in its Mt Clifford project in Western Australia. Total coal production for the period since acquisition has been in excess of 88,000 metric tons.

The last quarter of 2008 saw a significant change in world markets, and the Group continued to deliver into fixed price contracts whilst developing a strategy to adapt to the changing global economic conditions. This resulted in a decrease in production to focus on high margin product and ensure positive operating margins in a depressed coal market. The Group commenced preparation of its Mill Creek project, which is expected to deliver higher quality coal at reduced operating costs in 2009.

The net loss for the period was $4,129,575 (2007: loss of $193,463).

LIKELY DEVELOPMENTS

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

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 2008 has been received and can be found on page 5.

AUDITOR

WHK Horwath continues in office in accordance with section 327 of the Corporation Act 2001.

SUBSEQUENT EVENTS

Subsequent to balance date, the Group commenced mining at its Mill Creek project and placed Feds Creek into care and maintenance. The acquisition of Yellow Creek was finalised and the mining application process was initiated. Consideration for this project is via an upfront payment of US$30,000 and a production royalty. Production from this project will be initiated through the mobilization of existing equipment from the Tarkiln project.

Charles Griffith was appointed as a director on 18 February 2009 and John Hannaford and Frank Ashe resigned effective 27 February 2009.

The Board has closely monitored its ongoing cashflow projections and commitments in consideration of maintaining the going concern basis of accounting, and has undertaken the following actions since balance date:

- Director loans totalling A$150,000 have been provided on commercial terms.
- The Group has re-negotiated payment terms with its primary equipment supplier and has significantly reduced the cash expenditures relating to its equipment finance leases for the 6 months subsequent to balance date. This has resulted in the deferral of approximately US$486,000 of current finance lease commitments beyond 6 months from balance date.
- The Group has re-negotiated payments due in relation to the acquisition of C&R Holding of Eastern Kentucky, LLC. These liabilities, totalling US$528,000 will not be called upon until 30 June 2010, or until the Group has sufficient financial capability to repay these amounts.
- The Group has secured financing of US$500,000 from one of its major customers, to be repaid through the delivery of coal in the coming 12 months.
- Loan repayments of US$20,000 per week have been deferred pending commencement of optimal mining operations at Yellow Creek project. Repayments are expected to re-commence in July 2009.

These financing arrangements will allow the Group to focus on the production ramp up projected in its operating forecast.

Directors' Report

Signed in accordance with a resolution of the Directors.

R. Monti
Chairman

Perth
13 March 2009

WHK Horwath

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 Ltd for the half-year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the 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 13th day of March 2009

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A WHK Group firm

Statement of Resources and Reserves

AS AT 7 SEPTEMBER 2008

('000s metric tons)

Mine/Project	Mining Method	Measured Resource	Indicated Resource	Inferred Resource	Total Resource	Proved Reserve	Probable Reserve	Total Coal Reserves	Total Marketable Reserve
Tarkiln	Mountain top removal	20.3	-	-	20.3	264.8	24.2	289.0	289.0
Feds Creek	Contour strip, auger & highwall miner	302.6	67.8	-	370.4	120.8	-	120.8	120.8
Mill Creek	Open cut/contour and auger	-	-	-	-	-	-	-	-
Gibraltar	Open cut/contour	-	-	-	-	-	-	-	-
TOTAL		**322.9**	**67.8**	**-**	**390.7**	**385.6**	**24.2**	**409.8**	**409.8**

Notes to be read in conjunction with this JORC Statement:

1. Resources and Reserves are reported as at 7 September 2008 and are in accordance with the 2004 Australasian Code for Reporting Identified Mineral Resources and Ore Reserves ("JORC Code"). All figures reported are on a 100% holding basis.
2. The Measured and Indicated Resources are not included in the Proved and Probable Reserves.
3. The above table has been compiled from Resource and Reserve estimate reports prepared by Competent Persons (considered suitably experienced under the JORC Code). The Competent Persons consent to the inclusion in this Statement of matters based on their work in the form and context in which it appears. The Competent Person who has prepared the estimates is Mr Ken W Fishel of Stagg Resource Consultants, Inc,
4. For all mines, Total Coal Reserves and Marketable Reserves are reported on a 100% yield basis as raw coal from these mines is considered to be 100% marketable. Coal preparation facilities are not required to enhance product specifications and hence Marketable Reserves are equal to Total Coal Reserves.
5. Reserves and marketable reserves are quoted on an "as-received" moisture basis.

Condensed Income Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Consolidated	
	2008	**2007**
	$	**$**
Revenue from continuing operations	12,806,992	14,144
Cost of Sales	(12,296,086)	-
Depreciation and amortisation expense	(1,899,750)	-
Finance costs	(207,456)	-
Share-based payments	(733,729)	-
Due diligence expenses	(380,114)	-
Impairment losses	(58,059)	-
Administration expenses	(985,059)	(207,607)
Profit/(Loss) before income tax expense	(3,753,261)	(193,463)
Income tax expense	(376,314)	-
Net loss attributable to members of the Parent Entity	(4,129,575)	(193,463)
Basic loss per share		
- cents per share	(9.59)	(4.11)
Diluted loss per share		
- cents per share	(9.59)	(4.11)

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

Condensed Balance Sheet
AS AT 31 DECEMBER 2008

	Note	31 December 2008 $	30 June 2008 $
ASSETS			
Current assets			
Cash and cash equivalents		477,608	2,297,260
Trade and other receivables		1,627,239	17,240
Inventories		109,246	-
Other financial assets		993,976	737,033
Total current assets		**3,208,069**	**3,051,533**
Non-current assets			
Property, plant and equipment		7,262,189	-
Mine development costs		8,901,334	-
Exploration and evaluation expenditure	6	10,420,341	55,762
Total non-current assets		**26,583,864**	**55,762**
TOTAL ASSETS		**29,791,933**	**3,107,295**
LIABILITIES			
Current liabilities			
Trade and other payables		4,738,737	85,931
Lease liabilities		2,038,347	-
Other financial liabilities		1,212,471	-
Total current liabilities		**7,989,555**	**85,931**
Non-current liabilities			
Lease liabilities		4,414,312	-
Provisions		406,997	-
Other financial liabilities		283,072	-
Deferred tax liabilities	5	381,637	-
Total non-current liabilities		**5,486,018**	-
TOTAL LIABILITIES		**13,475,573**	**85,931**
NET ASSETS		**16,316,360**	**3,021,364**
EQUITY			
Issued capital	7	17,136,459	2,751,522
Reserves		3,569,437	529,803
Accumulated losses		(4,389,536)	(259,961)
TOTAL EQUITY		**16,316,360**	**3,021,364**

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

Condensed Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Consolidated 2008	**Note**	**Issued Capital $**	**Option Reserve $**	**Foreign Exchange Translation Reserve $**	**Accumulated Losses $**	**Total Equity $**
Total equity at the beginning of the period		2,751,522	529,803	-	(259,961)	3,021,364
Loss for the period		**-**	**-**	**-**	**(4,129,575)**	**(4,129,575)**
Transactions with equity holders:						
Contributions of equity, net of transaction costs	7	13,956,270	-	-	-	13,956,270
Exercise of options	7	8,667	(333)	-	-	8,334
Share-based payments		420,000	313,729	-		733,729
Translation gains/(losses)		-	-	2,726,238	-	2,726,238
Total equity at 31 December 2008		**17,136,459**	**843,199**	**2,726,238**	**(4,389,536)**	**16,316,360**

Consolidated 2007	**Issued Capital $**	**Option Reserve**	**$**	**Accumulated Losses $**	**Total Equity $**
Total equity at the beginning of the period	2	-		-	2
Loss for the period	**-**	**-**		**(193,463)**	**(193,463)**
Transactions with equity holders:					
Contributions of equity, net of transaction costs	3,315,000	-		-	3,315,000
Capital raising costs	(561,785)				(561,785)
Share-based payments	-	459,803		-	459,803
Total equity at 31 December 2007	**2,753,217**	**459,803**		**(193,463)**	**3,019,557**

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

Condensed Cash Flow Statement
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Consolidated 2008 $	2007 $
Cash flows from operating activities		
Receipts from customers	12,156,494	-
Interest received	36,328	14,144
Payments to suppliers and employees	(12,012,408)	(21,166)
Interest and other finance costs paid	(207,456)	-
Net cash used in operating activities	(27,042)	(7,022)
Cash flows from investing activities		
Payments for exploration expenditure	(2,297)	(34,993)
Payments for property, plant and equipment	(69,586)	-
Payments for environmental bonds	(239,174)	-
Payments for finance leases	(791,215)	-
Net cash paid on acquisition of subsidiary	(1,718,352)	-
Net cash used in investing activities	(2,820,624)	(34,993)
Cash flows from financing activities		
Proceeds from issues of shares	1,198,000	3,315,000
Capital raising costs	(41,453)	(34,390)
Proceeds from exercise of options	8,333	-
Proceeds from related entity loans	301,584	-
Factoring costs	(77,835)	-
Repayment of loans	(455,451)	-
Net cash flows provided by financing activities	933,178	3,280,610
Net increase/(decrease) in cash and cash equivalents	(1,914,488)	3,238,595
Cash and cash equivalents at the beginning of the period	2,297,260	2
Exchange rate effects on cash	94,836	-
Cash and cash equivalents at the end of the period	**477,608**	**3,238,597**

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

NOTE 1 – 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 2008 comprises Bathurst Resources Limited and its controlled entities ("Consolidated Entity" or "Group").

The interim financial report is a general purpose condensed final report which has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

The interim financial report does not include all of the information required for a full annual financial report and therefore cannot be expected to provide as full an understanding of the final performance, final position and financing and investing activities of the Group as the full final report. It is recommended that the interim financial report be read in conjunction with any public announcements made by Bathurst Resources Limited during the half-year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

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.

1.1 Going Concern Basis

The consolidated balance sheet at 31 December 2008 reflects a net current liability position of $4,781,486 (current assets: $3,208,069 less current liabilities of $7,989,555) and an operating loss of $3,753,261 before tax for half year ended 31 December 2008. The financial statements have been prepared on a going concern basis based on a detailed cash flow forecast extending out to March 2010. The key assumptions used in the preparation of the cash flow forecast are detailed below:

- Minimum production levels of 25,000 short tons per month from March to June 2009, increasing to a minimum of 30,000 short tons per month from July 2009 to March 2010;
- An average sale price of US$60 per ton;
- Cash costs of production per short ton of between US$52 - US$64;
- Recovery of all 31 December 2008 outstanding debtors, either in the normal course of business or through payment instalment agreements;
- Average exchange rate of AUD$1 : USD$0.65;
- Deferral of certain payments to major equipment suppliers and prior owners as agreed subsequent to year end (refer Note 11);
- Commencement of mining at Yellow Creek in April 2009, with acquisition consideration of US$30,000 payable in March 2009;
- No income tax payable;
- No repayment of Directors loans amounting to A$283,000 within the forecast period.

If the Group is not able to generate sufficient operating cash surpluses as detailed above or raise additional finance, the going concern basis may not be appropriate and as a result the Group may have to realize its assets and extinguish its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

1.2 Accounting Policies

Early adoption of accounting standards
The Group has elected to early adopt the following accounting standard for reporting period beginning 1 July 2008:

- AASB 3 Business Combinations (March 2008).

As a consequence, the Group has also early adopted AASB 127 Consolidated and Separate Financial Statements (as amended in March 2008).

Early adoption of this standard will have no impact to the comparatives in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those contained in 30 June 2008 financial report. The following additional accounting policies were also adopted during the period in the preparation of the 31 December 2008 interim financial statements;

- Principles of Consolidation;
- Inventories;
- Leases;
- Foreign Currency Translations and Balances;
- Revenue;
- Exploration, evaluation, development and restoration costs;
- Mining and development properties;
- Financial Instruments.

<u>Principles of Consolidation</u>

The consolidated financial statements comprise the financial statements of Bathurst Resources Limited and its subsidiaries as at 31 December 2008.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Business Combinations
Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes direct materials only.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Foreign Currency Translation and Balances

(i) Functional and presentation currency
The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

(ii) Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Translation of Group Companies functional currency to presentation currency
The results of the United States subsidiaries are translated into Australian Dollars as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at balance date. Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods
Revenue from the sale of goods is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to customer, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and when title has passed.

(ii) Interest revenue
Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Exploration, evaluation, development and restoration costs

Exploration and evaluation expenditures in relation to separate areas of interest are capitalised in the year in which they are incurred and are carried at cost less accumulated impairment losses where the following conditions are satisfied:
(i) the rights to tenure of the area of interest are current; and
(ii) at least one of the following conditions is also met:

– the exploration and evaluation expenditures are expected to be recouped through successful development and production from the area of interest, or alternatively, by its sale, or

– exploration and evaluation activities in the area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest is continuing.

Capitalised exploration costs are reviewed each reporting date as to whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment, and transferred to mining and development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

Mining and development properties

Mining and development properties include the cost of acquiring and developing mining properties, mineral rights and exploration, evaluation and development expenditure carried forward relating to areas where production has commenced. These assets are amortised using the unit of production basis over the economically recoverable reserves. Amortisation starts from the date when commercial production commences.

Financial Instruments

Recognition and Initial Measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.
Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

De-recognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement
i. Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

ii. Financial Liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment
At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

This interim financial report was approved by the Board of Directors on 13 March 2009.

NOTE 2 – PROFIT FOR THE PERIOD

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

Coal sales	12,770,664
Interest income	36,328
Selling costs	(77,835)
Employee costs	(2,094,713)
Depreciation expense	(356,223)
Amortisation expense	(1,543,528)
Due diligence expenses	(380,114)
Foreign exchange gain	125,257

NOTE 3 – ACQUISITION OF SUBSIDIARIES

As reported in the annual financial report, the parent entity acquired 100% of C&R Holding of Eastern Kentucky LLC, a company with operating coal mining assets in the USA on 8 September 2008. The purchase was satisfied by the issue of 32,000,000 ordinary shares at a deemed issue price of $0.40 each and the payment of US$2,400,000. The issue was based on the market price at the date of purchase.

The purchase price was allocated as follows:

	$
Purchase consideration	15,593,314
Cash consideration	2,793,314

Assets and liabilities acquired at acquisition date:

	Carrying Value	Fair Value Adjustment	Fair Value
Cash	574,515		574,515
Receivables	845,788		845,788
Other assets	674,739		674,739
Property, plant and equipment	6,380,440		6,380,440
Mine development costs	-	9,635,201	9,635,201
Exploration assets	674,268	6,849,473	7,523,741
Trade and other payables	(1,725,009)		(1,725,009)
Lease liabilities	(6,152,453)		(6,152,453)
Other financial liabilities	(2,163,648)		(2,163,648)
	(891,360)		15,593,314

The assets and liabilities arising from the acquisition are recognised at their fair value.

The loss relating to C&R Holding of Eastern Kentucky LLC amounting to $989,451 is included in the consolidated income statement for the half-year ended 31 December 2008. Had the results relating to C&R been consolidated from 1 July 2008, consolidated revenue would have been $19,308,733 and consolidated loss $2,429,521 for the half-year ended 31 December 2008.

NOTE 4 – SEGMENT REPORTING

Geographical Segment – primary reporting segment
The consolidated entity operates in the exploration for mineral resources in Australia and the development of coal mining properties in the USA.

2008 Geographical segment	USA $	Australia $	Eliminations $	Consolidated $
Segment revenue	12,770,664	-	-	12,770,664
Unallocated Revenue (Interest)	-	345,406	(309,078)	36,328
Total revenue				12,806,992
Segment result	2,505,386	(1,319,577)	(4,939,070)	(3,753,261)
Loss before income tax				(3,753,261)
Income tax expense				(376,314)
Loss after income tax				(4,129,575)
Carrying amount of segment assets	29,724,406	17,350,490	(17,282,963)	29,791,933
Acquisition of non-current segment assets	856,141	4,660	-	860,801

NOTE 5 – INCOME TAX

Deferred income tax (revenue)/expense included in income tax expense comprises:

	31 December 2008 $	31 December 2007 $
Increase in deferred tax liabilities:		
- arising from temporary differences	381,637	10,498
(Increase) in deferred tax assets:		
- arising from tax losses	-	(10,498)
Total	381,637	-

NOTE 6 – EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2008 $	30 June 2008 $
Costs carried forward in respect of:		
Exploration and evaluation expenditure, at cost	10,420,341	55,762

NOTE 6 – EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

Reconciliation:
A reconciliation of the carrying amounts of exploration and evaluation expenditure is set out below:

Carrying amount at 1 July 2008	55,762
Additions	403,243
Assets acquired on acquisition of subsidiary	6,849,473
Impairment of exploration expenditure	(57,799)
Exchange rate movements	3,169,662
Carrying amount at end of period	10,420,341

NOTE 7 - ISSUED CAPITAL

	Number of Shares	$
2008		
(a) Issued and Paid Up Capital		
Fully paid ordinary shares	57,683,334	17,136,459
(b) Movements in fully paid shares on issue		
Opening balance 1 July 2008	21,000,000	2,753,217
Exercise of options	33,333	8,667
Issue of shares at $0.32	3,150,000	1,008,000
Issue of shares at $0.38	500,000	190,000
Issue of shares on acquisition of subsidiary	32,000,001	12,800,00
Issue of facilitator shares	1,000,000	420,000
Capital raising costs	-	(43,425)
Total fully paid shares on issue	57,683,334	17,136,459

NOTE 8 – RELATED PARTY TRANSACTIONS

(a) Other related party transactions

Ventnor Capital Pty Ltd, a company of which Mr John Hannaford and Mr Richard Monti are directors, was paid rent, general administration and bookkeeping, company secretarial fees and corporate advisory fees in relation to the administration of the Group. These services were provided on normal commercial terms and conditions. A summary of the total fees paid or payable to Ventnor Capital Pty Ltd during the period is as follows:

Rent, general administration and bookkeeping	72,648
Company secretarial, CFO and Executive Director fees	50,000
Corporate advisory – due diligence fees	46,305
Total	**168,953**

The total amount of fees due to Ventnor Capital as at 31 December 2008 was $82,175 (2007: $37,613).

Eficaz Pty Ltd, a company of which Mr Frank Ashe is a Director and shareholder, was paid directors fees totalling $15,000 during the period (2007: $1,153).

Putsborough Holdings Pty Ltd, a company of which Mr Hamish Bohannan has a beneficial interest, was paid consulting and directors fees of $162,784 (2007: Nil). The total amount of fees due to Putsborough Holdings at 31 December 2008 was $34,723 (2007: Nil).

NOTE 8 – RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Terms and Conditions

Transactions with other related parties are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

Loans from Directors

During the period Directors provided loans to the Company at commercial rates of interest. The total of Director loans outstanding at 31 December 2008 is $283,072. The loans are denominated in both US and Australian dollars.

NOTE 9 –FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives

Financial instruments
The Group's activities expose it to a variety of financial risks; market risk (including foreign exchange risk, interest rate risk and coal price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, coal price and foreign exchange risk, and ageing analysis for credit risk.

Risk management is carried out by the Executive Directors under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as mitigating coal price risk, foreign exchange risk, interest rate risk and credit risk. The Group does not enter into or trade derivative financial instruments for speculative purposes.

Risk management activities, in respect of credit risk, are carried out by the Executive Directors. The Group's credit risk activities operate under policies approved by the Board of Directors. The Group's credit risk activities are designed to identify, evaluate and monitor the financial risks in close co-operation with the Group's operating units. The Group has written policies covering specific areas, such as foreign exchange risk (including hedging activities) interest rate risk, coal price risk, liquidity risk and credit risk and they are summarised further below.

The Group's principal financial instruments comprise loans, finance leases, cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, liability and equity instrument are disclosed in Note 1, and the 30 June 2008 annual report.

NOTE 9 –FINANCIAL RISK MANAGEMENT (CONTINUED)

The magnitude of each type of financial risk that has arisen over the year is discussed below.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group has identified the following key market risks:
– Coal price risk
– Foreign currency risk
– Interest rate risk

(i) Hedges of anticipated future transactions

The Group currently does not have contracts to hedge any coal price or foreign currency risk arising from anticipated future coal sales, as the majority of the Group's expenditure is denominated in USD.

(ii) Coal price risk

Bathurst's major commodity price exposure is to the price of coal. A change in the coal price can have a significant positive or adverse effect on revenues. The Group currently sells 100% of its production into the spot market and is monitoring appropriate long term ontract options. As such, the Group is exposed to possible adverse financial effects of downward price movements in future thermal coal sales. Currently, no coal hedging is being entered into, with the expectation that global demand will outstrip supply in the short to medium term.

Sensitivity Analysis – Coal Price Risk

The table below details the coal price sensitivity analysis of the Group at the reporting date, holding all other variables constant. As at 31 December 2008, the effect on profit and equity as a result of a 10% change in the coal price, with all other variables remaining constant would be as follows:

	Consolidated	
	Equity	**Profit or Loss**
31 December 2008	$	$
+ 10%	1,277,066	1,277,066
- 10%	(1,277,066)	(1,277,066)

(iii) Foreign currency risk management

The Group is exposed to currency risk on transactions that are denominated in a currency other than the primary functional currency of the Group, US dollars (USD). The majority of transactions undertaken by the Group are denominated in USD and therefore the foreign currency risk is mitigated primarily through a natural hedge.

NOTE 9 –FINANCIAL RISK MANAGEMENT (CONTINUED)

The Board monitors foreign currency movements with the objective of optimising the exchange rates realised on inter-company transactions.

(iv) Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The Group does not currently have any exposure to floating interest rate borrowings.

Financial instrument composition and maturity analysis:

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

NOTE 9 –FINANCIAL RISK MANAGEMENT (CONTINUED)

	Weighted Average Effective Interest Rate		Fixed Interest Rate Maturing: Within 1 Year		Fixed Interest Rate Maturing: 1 to 5 Years		Non-interest Bearing		Total	
Consolidated Group	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
	%	**%**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Financial Assets										
Cash and cash equivalents			-	-	-	-	477,608	2,297,260	477,608	2,297,260
Receivables			-	-	-	-	1,627,239	17,240	1,627,239	17,240
Other Financial Assets (Bonds)	2.5%	-	839,903	-	-	-	-	-	839,903	-
Total Financial Assets			839,903	-	-	-	2,104,847	2,314,500	2,944,750	2,314,500
Financial Liabilities										
Trade and other payables	10%	-	741,751	-	-	-	3,996,986	85,931	4,738,737	85,931
Lease Liabilities	7.53%	-	2,038,347	-	4,414,312	-	-	-	6,452,659	-
Loans from related parties	10%	-	-	-	283,072	-	-	-	283,072	-
Loans from third parties			-	-	-	-	1,212,471	-	1,212,471	-
Total Financial Liabilities			2,780,098	-	4,697,384	-	1,212,471	85,931	12,686,939	85,931

NOTE 9 –FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.
Credit risk on receivables is minimised through the use of financial intermediaries that reduce the credit risk associated with receivables, through factoring agreements and up-front funding based on future production.
The maximum credit exposure relating to any one counterparty as at 31 December 2008 was $616,026.

(c) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.
Prudent liquidity risk management implies maintaining sufficient cash and liquid assets and the availability of funding through an adequate amount of credit facilities. Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by keeping credit lines available.
The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and maturity profiles of financial assets and liabilities.

(d) Capital management

The capital structure of the Group comprises debt, cash and cash equivalents and equity attributable to equity holders of the parent, such equity comprising issued capital, reserves and retained earnings as disclosed in the balance sheet.
The Directors aim to develop and maintain a strong capital base so as to sustain the future development of the business.
The Directors seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.
The Board of Directors encourages the employees of the Group to hold the Company's ordinary shares. There were no changes in the Group's approach to capital management during the year, other than to adopt a more conservative approach to gearing following the deterioration of financial markets.

The Group's Board of Directors reviews the capital structure on a regular basis. As a part of this review the Board considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through new share issues as well as the issue of new debt on the redemption of existing debt.

NOTE 10 –CONTINGENT LIABILITIES

As at 31 December 2008, 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 11 –SUBSEQUENT EVENTS

Subsequent to balance date, the Group commenced mining at its Mill Creek project and placed Feds Creek into care and maintenance. The acquisition of Yellow Creek was finalised and the mining application process was initiated. Consideration for this project is via an upfront payment of US$30,000 and a production royalty. Production from this project will be initiated through the mobilization of existing equipment from the Tarkiln project.

Charles Griffith was appointed as a director on 18 February 2009 and John Hannaford and Frank Ashe resigned effective 27 February 2009.

The Board has closely monitored its ongoing cashflow projections and commitments in consideration of maintaining the going concern basis of accounting, and has undertaken the following actions since balance date:

- Director loans totalling A$150,000 have been provided on commercial terms.
- The Group has re-negotiated payment terms with its primary equipment supplier and has significantly reduced the cash expenditures relating to its equipment finance leases for the 6 months subsequent to balance date. This has resulted in the deferral of approximately US$486,000 of current finance lease commitments beyond 6 months from balance date.
- The Group has re-negotiated payments due in relation to the acquisition of C&R Holding of Eastern Kentucky, LLC. These liabilities, totalling US$528,000 will not be called upon until 30 June 2010, or until the Group has sufficient financial capability to repay these amounts.
- The Group has secured financing of US$500,000 from one of its major customers, to be repaid through the delivery of coal in the coming 12 months.
- Loan repayments of US$20,000 per week have been deferred pending commencement of optimal mining operations at Yellow Creek project. Repayments are expected to re-commence in July 2009.

These financing arrangements will allow the Group to focus on the production ramp up projected in its operating forecast.

Directors' Declaration

In the directors' opinion:

a) the financial statements and notes set out on pages 7 to 24:

i. comply with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

ii. give a true and fair view of the Group's financial position as at 31 December 2008 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

Richard Monti
Chairman
Perth
13 March 2009

WHK Horwath

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF BATHURST RESOURCES LTD AND ITS CONTROLLED ENTITIES

Report on the half-year financial report
We have reviewed the accompanying half-year financial report of Bathurst Resources Ltd and its Controlled Entities (the consolidated entity), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement 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*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with the Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Bathurst Resources Ltd and its Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Conclusion
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Bathurst Resources Ltd and its Controlled Entities is not in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Material uncertainty regarding going concern
Without qualification to the conclusion expressed above, we draw attention to Note 1.1 in the financial statements. As detailed in Note 1.1 to the financial statements, the financial statements have been prepared on a going concern basis based on a detailed cash flow forecast extending out to March 2010. The key assumptions used in the preparation of the cash flow forecast are:

- Minimum production levels of 25,000 short tons per month from March to June 2009, increasing to a minimum of 30,000 short tons per month from July 2009 to March 2010;
- An average sale price of US$60 per ton;
- Cash costs of production per short ton of US$52 to US$64;
- Recovery of all 31 December 2008 outstanding debtors, either in the normal course of business or through payment instalment agreements;
- Average exchange rate of AUD$1:USD$0.65;
- Deferral of certain payments to major equipment suppliers and prior owners as agreed subsequent to year end as detailed in Note 11 to the financial statements;

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- Commencement of mining at Yellow Creek in April 2009, with acquisition consideration of US$30,000 payable in March 2009;
- No income tax payable;
- No repayment of Directors loans, amounting to $283,000 within the forecast period.

If the Group is not able to generate sufficient operating cash surpluses as detailed above or raise additional finance, the going concern basis may not be appropriate.

These matters indicate the existence of material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and as a result, the consolidated entity may have to realize its assets and extinguish its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report.

WHK HORWATH PERTH AUDIT PARTNERSHIP

SEAN MCGURK
Principal

Perth, WA

Dated this 13th day of March 2009