

# **BARU RESOURCES LIMITED**

## **ACN 147 324 847**

### **Short Form Prospectus**

Issued under Section 713, Corporations Act, 2001

For a pro rata non-renounceable entitlement issue on the basis of 1 (one) Option for every 2 (two) Shares held by a Shareholder on the Record Date at an issue price of \$0.20 per Option, to raise up to approximately \$24,898 before expenses (**Offer**).



#### **Important Notice**

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professionally adviser.

The Options offered by this Prospectus should be considered as speculative.

**Dated – 23 December 2011**

**Directors**

Rick Anthon (Non Executive Chairman)

Kevin Nichol (Executive Director)

Peter Avery (Non Executive Director)

**Company Secretary**

Melanie Leydin

**Chief Executive Officer**

Matthew Bull

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## **1. IMPORTANT NOTES**

### **1.1 General**

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisors.

This Prospectus is dated 23 December 2011 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of the Prospectus is the date that is 13 months after the date of this Prospectus (**Expiry Date**).

Applications for Options s can only be submitted on an original Entitlement and Acceptance Form which will accompany this Prospectus when sent to Shareholders.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

### **1.2 Short Form Prospectus**

This Prospectus is a short form prospectus issued in accordance with Section 713 of the Corporations Act.

Baru Resources Limited (Baru) relies upon its status as an ASX listed company with continuously quoted securities (its shares) on issue and complying with the Corporations Act criteria appropriate for continuously quoted securities. Section 713 of the Corporation Act recognises that a Prospectus for an offer of options to acquire continuously granted securities isn't required to contain the same level of information normally required for a new issue of securities. Instead, the Prospectus is permitted to be used for an options offer (such as this) if this information is disclosed for the benefit of investors and their professional advisers:

- (a) The effect of the offer on Baru;
- (b) The rights and liabilities attaching to the Options and underlying Shares;
- (c) That Baru is a disclosing entity and is subject to regular reporting and disclosure obligations. Copies of documents lodged by Baru with ASIC may be obtained from, or inspected at, an ASIC office. People have the right to obtain a copy of any of the following documents:
  - (i) the annual financial report most recently lodged with ASIC by Baru;
  - (ii) any half year financial report lodged with ASIC by Baru after the lodgment of the annual report and before the lodgment of a copy of this Prospectus with ASIC;

- (iii) any continuous disclosure notices given by Baru after the lodgment of its annual financial report and before lodgment of the copy of the Prospectus with ASIC.

Baru offers to give a copy of any of the documents mentioned to any person asking for the same over the offer period, free of charge.

### **1.3 Offers to New Zealand Investors**

The offers to New Zealand investors are regulated offers made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and the Corporations Regulations 2001. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

The Offer and the content of the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act sets out how the Offer must be made.

There are differences in how securities are regulated under Australian law.

The rights, remedies, and compensation arrangements available to new Zealand investors in Australian securities may differ from the rights, remedies and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you need to make a complain about the Offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the Options is not New Zealand dollars. The value of the Options will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the Options to pay any amounts in a currency that is no New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

As noted in the Prospectus at Section 3.7, the Company will apply to the ASX for quotation of the Options offered under this Prospectus. If quotation is granted, the Options offered under this Prospectus will be able to be traded on the ASX. If you wish to trade the Options through that market, you will have to make arrangements for a participant in that market to sell the Options on your behalf.

As the ASX does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

### **1.4 Foreign Investors**

The Company is not intending to register or circulate this Prospectus in any other countries other than Australian and New Zealand. This decision has regard to the number of Shareholders in countries other than Australia and New Zealand, the number, volume and value of the Options which, could be

offered and the costs of complying with legal and regulatory requirements in foreign jurisdictions.

### **1.5 Electronic Prospectus**

Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Entitlement and Acceptance Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

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## **2. INVESTMENT OVERVIEW**

### **2.1 Important Notice**

This Section is not intended to provide full information for investors intending to apply for Securities offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

### **2.2 Summary of the Offer**

By this Prospectus, the Company offers for subscription approximately 24,898,005 Options on the basis of 1 (one) Option for every 2 (two) Shares held. Each Option has a subscription price of \$0.001 (one tenth) cents per Option.

Fractional entitlements will be rounded up or down to the nearest whole number. A fractional entitlement of .5 will be rounded up.

The Options issued pursuant to the Offer are exercisable at \$0.20 (20 cents) per Option on or before 5.00pm (WST) on 23 December 2016.

### **2.3 Timetable and important dates\***

Lodgement of Prospectus with ASIC and Appendix 3B with ASX on announcement of Offer	23 December 2011
Notice sent to Shareholders	29 December 2011
Ex Date for determining Entitlements	30 December 2011
Record Date for determining Shareholder Entitlements – 7.00pm (WST)	6 January 2012
Prospectus dispatched to Shareholders and announcement that dispatch has been completed	12 January 2012
Closing Date of Offer- 5pm WST	27 January 2012
Securities quoted on a deferred settlement basis	30 January 2012
Notify ASX of under-subscriptions	1 February 2012
Dispatch date/Options entered into Shareholders' security holdings. Confirm Appendix 3B	6 February 2012
Trading of Options issued pursuant to the Offer expected to commence on ASX	7 February 2012

\*These dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act, the ASX Listing Rules and other applicable laws, to vary the dates of the Offer, including, but not limited to, extending the Closing Date or accepting late applications, either generally or in particular cases, without notifying you. You are encouraged to submit your application as soon as possible. Any extension of the Closing Date will have a consequential effect on the date of the issue of the Options. The Offer does not require the approval of Shareholders.

## 2.4 Purpose of the Offer

The purpose of the Offer contained in this Prospectus is to raise approximately \$24,898 (before expenses) which will be used towards the cost of the Issue.

## 2.5 Use of funds raised

The proceeds of the Offer will be used to contribute towards the costs of the Issue.

## 2.6 Effect of the Offer

The principal effect of the Offer will be to:

- (a) Increase the cash reserves and issued capital by approximately \$24,898 immediately after completion of the Offer prior to deducting the estimated expenses of the Offer;
- (b) Increase the number of Options on issue to approximately 24,898,005 following completion of the Offer; and
- (c) Provide the Company with a basis for raising up to \$4,979,601 if all of the Options are exercised by the Options Expiry Date.

## 2.7 Effect on capital structure

A comparative table of changes in the capital structure of the Company as a consequence of the Offer is set out below, assuming that the Offer is fully subscribed.

Shares	Number
Shares on issue at date of Prospectus	49,796,009
Underlying Shares offered pursuant to the Offer	Nil
<b>Total Shares on issue after completion of the Offer and exercise of Options</b>	<b>49,796,009</b>

### Notes:

1. If all Options issued under this Prospectus are exercised, it will consequentially increased the number of shares to 74,694,014.
2. The financial impact is shown in Section 4.

Options	Number
Options on issue at date of the Prospectus	Nil
Options offered pursuant to Offer	24,898,005
<b>Total Options on issue after completion of the Offer</b>	<b>24,898,005</b>

## 2.8 Information on the Company

The Company is a coal exploration company which was officially listed on the ASX on 22 September 2011.



The Company has entered into the Tenement Joint Venture Agreement entitling it to an earn 80% of the joint venture if it expends \$2,000,000 in exploration. The Tenements are located in the West Galilee Basin which are largely underexplored for coal but considered to be prospective. The Company has conducted negotiations with landowners and other preliminary work and anticipates commencing drilling on the project in the first quarter of 2012.

The Company has also recently announced that it has applied for a number of exploration licences in the Eromanga basin.

## 2.9 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had since the lodgment of the IPO Prospectus with the ASIC, any interest in:

- (a) The formation or promotion of the Company;
- (b) Property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) The Offer pursuant to this Prospectus.

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or Offer pursuant to this Prospectus other than as disclosed in this Prospectus or the IPO Prospectus.

Directors' interests in securities of the Company at the date of this Prospectus are:

Name	Shares	Options	Annual Remuneration
Richard Anthon	3,700,003	Nil	\$60,000.00
Kevin Nichol	1,000,003	Nil	\$200,000.00
Peter Avery	3,000,003	Nil	\$100,000.00

### Notes:

Directors Shares may be held by associate companies.

Each of the Directors has indicated that it is their present intention to subscribe for their full Entitlement under the Offer.

Directors, companies associated with the directors or their associates are also reimbursed for all reasonable expense properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

Mr Anthon is a partner of Hemming+Hart, the solicitors for the Company, who provide legal services to the Company and who will be paid on normal commercial terms for providing legal advice in respect of this Prospectus.

## 2.10 Key risks

The Directors are of the view that the Options offered under this Prospectus should be considered speculative because of the nature of the Company's

business and that an investment in the Company is subject to a number of risks.

Set out below is a summary of the key risk factors which should be considered before subscribing for Options under this Prospectus. This list is not exhaustive and Applicants should examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for Securities.

Set out below are specific risks that the Company is exposed to:

(a) Entitlement Interest to Tenements

As outlined in the Company's IPO Prospectus, the Tenement Interest has to be earned through a minimum expenditure of \$2 million within 2 years of the newest grant date of the last of the Tenements covered. In exchange, the Company is entitled to acquire a 80% interest for coal activities and a 20% interest for syngas (UCG Australia). To protect its interest, the Company has lodged a caveat over the Tenements and has acquired the right to register a mortgage over the Tenements once the minimum expenditure has been met. Whilst the Company is confident that it will gain its interest, there is no guarantee that the tenement rights won't be lost or forfeited by WG Exploration, to the Company's detriment. Even though precautions have been taken to prevent such events, if loss or forfeiture of the tenements occurred, it would have a material adverse affect on the Company.

(b) Economic resources may not be discovered

Coal exploration and production is a high-risk undertaking.

There are currently no JORC Code compliant resources defined on any Tenement and there has been limited exploration to date. There can be no assurance that exploration of existing and acquired projects or any other exploration properties that may be acquired in the future will result in the discovery of an economic resource. Even if an apparently viable resource is identified, there is no certainty that it can be economically exploited.

(c) The Company has a limited operating history

The Company has a limited operating history on which an evaluation of its prospects can be made. To date, no resources have been discovered. The prospects of the Company must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly in the mineral exploration sector, which has a high level of inherent uncertainty.

(d) Exploration and Operational Risks

By its nature, the business of exploration is a speculative endeavour and involves significant risks. Economic success will depend upon the successful exploration and/or acquisition of resources or reserves, competent operational management, and efficient financial management. Further, the nature of the business of exploration can sometimes result in industrial accidents and other incidents beyond the control of the Company.

There can be no assurances that the proposed project exploration programs described in this Prospectus, or any other projects or

tenements that the Company may acquire in the future, will result in the discovery of a significant coal resource or reserve. Even if a significant coal resource or reserve is identified, there can be no guarantee that it can be economically exploited.

Ultimate success depends on the discovery and delineation of economically recoverable mineral resources, establishing an efficient exploratory operation, obtaining necessary tenure and access and government and other regulatory approvals. The exploration and mining activities of the Company may be affected by a number of factors including, but not limited to, geological conditions, seasonal weather patterns, technical difficulties and failures, continued availability of the necessary technical equipment, plant and appropriately skilled and experienced technicians, adverse changes in government policy or legislation and access to the required level of exploration funding.

No assurance can be given that the Company will achieve commercial viability through development of any of the Tenements or its projects.

(e) Resource Estimations

Resource estimates are inherently imprecise as they are expressions of judgement at a particular time based on available information, interpreted using experience and resource modelling techniques. The estimates, while made by qualified professionals, may change over time as other information becomes available which differs from information known or predicted by past drilling, sampling and geological interpretation. Estimates remain subject to change which may adversely affect the Company's operations or the commercial viability of its projects.

(f) Exploration Targets

The geological characteristics of the Company's coal targets at the various locations covered by the Tenements appear to have similar characteristics to locations where established exploration and mining operations are being successfully conducted. Similarity of geological characteristics is not determinative of any similarity in actual mineral resources. Whilst those characteristics may encourage explorers like the Company to commit expenditure to drilling programs, it must be appreciated that a substantial and real risk still exists that no viable resource will be identified. As such, it is important that geological similarities be appreciated in the context that they only provide an indication rather than any determinative evidence of any viable outcome.

(g) Resources and Reserves

The Company is aspiring to identify (in terms of JORC) that commercially viable coal reserves are believed to be present within the Tenements so that, after exploration and testing, information will be available to enable decisions to be made as to likely quantified coal resources as well as other matters such as coal type, quality and preferred extraction methods ("reserve" in terms of JORC can provide an estimate of probable coal quantities for mining purposes, whilst "coal resources" in terms of JORC, reflects the possible presence of coal).

Testing and exploration in order to "prove coal reserves up" to the standard of recoverable coal (to ensure economical mining activities

can be undertaken) is not an exact science and carries inherent risks of failure.

(h) Hazards

The Company, as an active future participant in exploration and mining programs, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. The Company may incur a liability to third parties (in excess of its insurance cover) arising from pollution, environmental damage or other damage or injury.

(i) Contractors

The Company will be dependant on contractors and suppliers to supply vital services to its operations. The Company is therefore exposed to the possibility of adverse developments in the business environments of its contractors and suppliers. Any disruption to services or supply may have an adverse effect on its exploration programmes.

(j) Reliance on Key Personnel

In formulating its exploration and mining programs, the Company relies to a significant extent upon the experience and expertise of its Directors and Chief Executive Officer.

Although information concerning the Company's interest in the Tenements has been chronicled, the loss of one or more of these key personnel may adversely affect the Company's prospects of pursuing its exploration programs within the timeframes and within the cost structure as currently envisaged.

Although the key personnel have a considerable amount of experience and have previously been successful in their pursuits of important prospecting discoveries, there is no guarantee or assurance that they will be successful in their objectives pursuant to this Prospectus.

(k) Employees

The ability of the Company to achieve its objectives depends on being able to retain certain key employees, skilled operators and tradespeople. While the Company proposes to enter into employment contracts with key employees, the retention of their services cannot be guaranteed. The loss of key employees or skilled operators and tradespeople could significantly affect the performance of the Company's operations.

(l) Tenements

A failure to adhere to prescribed statutory expenditure commitments will, unless an exemption is granted, make one or more of the Tenements subject to possible forfeiture.

(m) Native Title, Aboriginal Heritage and Heritage

The *Native Title Act 1993* (Cth) recognises certain rights of indigenous Australians over land where those rights have not been extinguished. These rights, where they exist, may impact on the ability of the Company to carry out exploration and mining activities, or obtain exploration permits or mining leases. In applying for permits/leases over crown land, the Company must observe the provisions of Native Title legislation. In carrying out exploration and/or mining operations it must observe Native Title legislation (where applicable), Aboriginal

Heritage legislation, and Heritage legislation which protects sites and objects of significance. Native title considerations are discussed in further detail in the Legal Tenements Report set out in Section 9 of the IPO Prospectus.

(n) Tenure and Access

Mining and exploration tenements are subject to periodic renewal. There is no guarantee that current or future tenements or future applications for tenements will be approved.

The Company's Tenements are subject to numerous Queensland specific legislative conditions. The renewal of the term of a granted tenement is also subject to discretion of the relevant Minister. Renewal conditions may include increased expenditure and work commitments and or compulsory relinquishment of areas of the tenements comprising the Company's projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company.

(o) Joint Ventures

The Company proposes to explore and where feasible develop, the Tenements by way of joint venture with WG Exploration in accordance with the JV Agreement. The Company may also wish to develop future projects through similar joint venture arrangements. Any joint ventures entered into by, or interests in joint ventures assigned to, the Company (including the Company's interest in the JV Agreement) could be affected by the failure or default (including insolvency) of any of the joint venture participants (including WG Exploration).

(p) Coal Quality

All coal found in Australia is not necessarily of commercial value. There are also types of coal having different commercial values having regard to their intended use or suitability as well as quality. The Company's intended exploration programme will seek to establish, by planned drilling, what type of coal and quality could be present. There can be no assurances of any commercial quantities of coal which may be found or indicated from the programme.

(q) Coal Markets

Whilst large quantities of Australian coal are exported there can be no assurances that the demand for Australian coal will indefinitely continue. Australia is not the only exporter of coal to foreign markets. There can therefore be no guarantees that any coal reserves uncovered can be made subject to profitable export contracts. In addition, any substantial decline in the prices of coal or changes in industry factors such as demand for coal and/or production costs could have a material adverse effect on the Company.

(r) Foreign Exchange Rate Risk

Given coal is a globally priced commodity, coal and therefore the revenues, earnings, assets and liabilities of the Company may be exposed adversely to foreign exchange rate fluctuations.

(s) Carbon Tax

There is considerable uncertainty about whether a carbon tax will be imposed by the Commonwealth Government on miners of coal. If a tax is imposed, then this may affect the value of the Company's interest in the Tenements or its opportunities, including its future exploration and

development programs. However no analysis has yet been undertaken by the Company to determine the impact of a possible carbon tax.

(t) Climate Change

There is some uncertainty as to whether industry will be constrained by the use of fossil fuels (such as coal) in Australia. If constraining legislation is introduced the Company may have limited future coal sales or be affected by depressed or constraining market conditions. No analysis has yet been undertaken by the Company to determine the impact on the Company of climate change legislation.

(u) Commercialisation

Because the Company is only at the exploration stage, no assessment has yet been undertaken on the costs of exploitation of any coal which may be present on the Tenements or with respect to sale. It is feasible, for example, for testing to indicate the presence of coal reserves, but in circumstances where the potential cost of mining renders exploitation as unprofitable.

(v) Infrastructure

The successful commercial mining of coal depends on transport and port capacity for access to the overseas export markets. Additionally, the ability to marshal required resources for water, a workforce, machinery and power are all factors required to be investigated if there are good commercial prospects of sustainable reserves being discovered. The geographical location of the Tenements indicates that the Company is exploring areas which are potentially prospective.

However, because of the formative stage of planning reached, no analysis of infrastructure needs as yet has been undertaken.

(w) Mineral Resources Tax and Royalties

The State and/or Federal Governments may amend the existing taxation legislation in a way that could adversely impact on the future profitability of the Company, as a prospective coal producer. On 2 July 2010, the Commonwealth Government announced that a Minerals Resource Rent Tax (MRRT) will be introduced on 1 July 2012. The Company could consequently be subject to royalty fee payments to the Federal and State Governments. There is a risk that the nature or quantum of royalty fee payments could change or increase above current levels.

Because the Company is not a coal producer at present, no analysis has yet been undertaken to gauge the impact on the Company if the current taxation on royalty regime changes.

In the event the Company identifies economically viable coal reserves and commences mining, it may also be required to pay royalties under the *Mineral Resources Act 1989* (Qld).

(x) Grant of Tenements and JV Agreement

There is a material risk that WG Exploration may not be able to acquire, or secure title to EPCA 2075 given it is only at application stage. The Company is unaware of any reason why EPCA 2075 would not be granted, however a failure by the relevant government authority to grant this application may have a material adverse effect on the Company.

While the Company proposes to maintain sound management of its interests in granted exploration permits for coal, the conditions attaching to those Tenements may change, or the Company (or WG Exploration) may not be able to comply with some conditions. There is a material risk that the WG Exploration may lose title to the granted Tenements, which would in turn result in the Company losing the Tenement Interest.

The Company and or WG Exploration (as applicable) may be unable to procure mining tenements grants (including a mining lease) over areas the subject of the granted Tenements due to native title, environmental and or other constraints (including overlapping tenements). Further details of the impact these types of constraints may have on the Company are contained in the Legal Tenements Report set out in Section 9 of the IPO Prospectus.

There is a material risk that WG Exploration may breach its obligations under the JV Agreement which may result in the Company having to commence legal proceedings against WG Exploration for appropriate Court orders and relief necessary to give effect to the JV Agreement. There are no certainties that the Company will be able to obtain adequate damages or specific performance in the case of such default and this may have a material impact on the value of the Company and its Shares. The Company has no reason to suspect that WG Exploration would breach its obligations under the JV Agreement. The Company has taken steps to protect its Tenement Interest by lodging caveats of the granted Tenements and noting its Tenement Interest on each of the granted Tenements.

(y) Environmental Risks

The Company's projects are subject to Australian laws and regulations in relation to environmental matters, which means there is potential liability and project risks. The Company proposes to comply with applicable laws and conduct its programs in a responsible manner with regard to the environment. However, the Company may be:

- (i) subject to potential liability related to the mining and extraction of coal and other minerals; or
- (ii) prevented from exploration or mining due to the environmental impact of its activities on or within an area.

Any such developments might impact adversely on the Company's Share price and its financial viability.

An example arises with the ability of the Queensland Government (through the Department of Environment) to identify land as "strategic cropping land" and to allocate land classifications which are designed to protect the impacting use of the land for purposes other than cropping i.e. such as mining.

A certain classification of land for strategic cropping can prevent future mining activity on that land. Other environmental protection safeguards (under both the State and Commonwealth legislation) may adversely affect the Company's ability to exploit any discovered coal resources of commercial value. The Company does not intend to specifically assess the potential impact of legislatively imposed environmental restraints affecting mining in the Tenements until a commercially viable coal reserve is identified.

A similar conceptual position has been considered as appropriate for any other legislation which may impact on any decision to commence mining operations.

(z) Contract Risk

As a party to many contracts, the Company will have various contractual rights. However, no assurance can be given that all contracts will be fully performed by all contracting parties and that the Company will be successful in securing compliance with the terms of each contract by the relevant third party.

(aa) General Risks

There are also numerous widespread risks associated with investing in any form of business and with investing in the share market generally. The exploration and development of natural resources is a speculative activity that involves a high degree of risk.

(bb) Stock Market Risk

Intending subscribers and prospective investors should be aware that there are risks associated with investments in companies listed on ASX. The price of the securities of a publicly traded company can be highly volatile and the value of the Company's securities can be expected to fluctuate depending on various factors, and therefore the price of the Company's securities may trade below or above the offer price.

Various factors that may affect the market price of the Company's securities include exploration results, changes in commodity prices, stock market sentiment, general economic conditions, changes in government policies and or government, investor perceptions, movements in interest rates and stock markets, market conditions that affect the mining industry worldwide.

(cc) General Economic Conditions

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that economic climate include the general level of economic activity, interest rates, inflation and other economic factors. The price of commodities and level of activity within the mining industry will also be of particular relevance to the Company.

The Company's performance may be influenced by changes in inflation, interest rates, exchange rates, business cycles and taxation.

(dd) Domestic Economic Conditions

It is possible that a general downturn in the Australian economy will affect the performance of the Company and as such, the possibility of depressing the market value of securities in the Company. Alterations in government fiscal, monetary and regulatory policies, and changes in interest rates, may also affect the performance of the Company and the market value of its securities.

(ee) Ongoing Financial Requirements



The Company anticipates that the net proceeds of the Offer will supplement its working capital to evoke additional unplanned exploration drilling to occur. However further funding, either joint venture financing, debt, equity, or sale, or a combination of these may be required for the ongoing development of the Company's projects after the first two years of programmed expenditure.

However, the Company's future financial requirements will depend upon various factors including the performance of the mining operation fluctuations in the coal and currency markets, and general business conditions.

Should the Company need to raise additional funds, there can be no assurance that additional funds would be available on a timely basis, on favourable terms or at all, or that such funds, if raised, would be sufficient to enable the Company to continue to implement its business strategy. If adequate funds are not available, the Company's business will be materially and adversely affected.

(ff) Government Policy and Legislative Changes

Capacity to explore and potentially mine, as well as industry profitability generally, can be affected by changes in government policy that are beyond the control of the Company.

Changes in government regulations and policies may adversely affect the financial performance of the Company. Except as otherwise stated in this Prospectus, the Company is not aware of any current or proposed material changes in relevant regulations or policy.

(gg) Unforeseen Expenses

While the Company is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, the expenditure proposals of the Company may be adversely affected.

(hh) Commodity Price Risk

The Company's prospects and share price will be influenced by the price obtained from time to time for the commodities targeted in its exploration programs. Commodity prices fluctuate and are affected by factors including the relationship between global supply and demand for minerals, forward selling by producers, the cost of production and general global economic conditions.

Commodity prices are also affected by the outlook for inflation, interest rates, currency exchange rates and supply and demand issues. These factors may have an adverse affect on the Company's exploration and any subsequent development and production activities, as well as its ability to fund its future activities.

(ii) Insurance

At this stage of the Company's development, the Directors do not see the need to specifically cover any holding risks associated with the Tenements. However, if mining commences or is seen as viable, the Company would hope to insure its operations and potentially take out insurance (subject to costs and availability) in a commercially prudent manner. At this stage, there is no insurance cover relating to the Tenements (or improvements) due to the Company's interest being exploratory. There can be no certainty that the Company will be able

to procure insurance in the event that it is required or that sufficient coverage will be available.

### 2.11 Estimated expenses of Offer

In the event that the Offer is fully subscribed, the estimated expenses of the Offer are as follows:

	\$
ASIC Fees	2,137
ASX Fees	11,500
Legal expenses	15,000
Printing and other expenses	5,000
Miscellaneous	<u>3,000</u>
<b>Total</b>	<b>36,637</b>

### 2.12 Short Form Prospectus

This Prospectus is a short form Prospectus issued in accordance with Section 713 of the Corporations Act. This means that this Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type. However, it incorporates some information contained the IPO Prospectus that has earlier been lodged with ASIC.

Investors and their professional advisers are able to obtain a copy of the IPO Prospectus free of charge by contacting the Company at its registered office during normal business hours during the Offer Period. The IPO Prospectus will also be available by searching the ASIC's records in relation to the Company, or by visiting the Company's website at [www.baru.com.au](http://www.baru.com.au).

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### **3. DETAILS OF THE OFFER**

#### **3.1 Offer**

By this Prospectus, pursuant to a pro-rata non-renounceable entitlement issue, the Company offers for subscription 1 new Option for every 2 Shares held by Shareholders held on the Record Date at an issue price of \$0.001 per Option (one tenth of a cent). Fractional entitlements will be rounded to the nearest whole number. A fraction of .5 shall be rounded up.

The Options issued will be exercisable at \$0.20 (20 cents) on or before 23 December 2016.

Based on the capital structure of the Company) and assuming no existing Options are exercised prior to the Record Date), the maximum number of Options to be issued pursuant to the Offer is approximately 24,898,005 Options.

The Offer will raise approximately \$24,898 before expenses. Additionally because each Option has an Exercise Price of \$0.20 (20 cents), a further sum of \$4,979,601 could be raised if all of the Options are exercised before the Options Expiry Date. The purpose of the Offer and the use of funds raised are set out in Section 2 of this Prospectus.

The Company currently has no Options on issue as at the date of this Prospectus. As such there are no Options which may be exercised prior to the Record Date in order to participate in the Offer.

#### **3.2 How to Accept the Offer**

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) If you wish to accept your Entitlement in full:
  - (i) complete the Entitlement and Acceptance Form, filling in the details in the space provided; and
  - (ii) attach your cheque for the amount indicated on that relevant Entitlement and Acceptance Form; or
- (b) If you only wish to accept part of your Entitlement;
  - (i) fill in the number of Securities you wish to accept in the space provided on the Entitlement and Acceptance Form; and
  - (ii) attach your cheque for the appropriate application monies (at \$0.20 per Option); or
- (c) If you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.
- (d) If you wish to apply for extra Securities above your full Entitlement (i.e. applying for Shortfall Securities), please refer to Section 3.5.

#### **Payment by Cheque/Bank Draft**

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "**Baru Resources Limited – Option Issue**" and crossed "**Not Negotiable**".

#### **Posting Entitlement and Acceptance Form**

Please post your completed form (and cheque) to the address shown on the form, you may use the accompanying envelope.

The Offer is non-renounceable. Accordingly, a Shareholder cannot sell or transfer all or part of their Entitlement.

### **3.3 Minimum Subscription**

There is no minimum subscription in respect of the Offer.

### **3.4 Underwriting**

The Offer is not underwritten.

### **3.5 Shortfall Securities**

Any Securities not taken up through the Offer will constitute Shortfall Securities. Subject to the discretion of the Directors to allocation Shortfall Securities to any persons they see fit.

The Company has no obligation to issue any Shortfall Securities to any person.

### **3.6 Non Participation of Offer**

If you do not wish to take up any part of your Entitlement you are not requested to take any action.

If you do not take up any part of your entitlements, your residual shareholding could be diluted if the Options are later exercised by the Optionholders.

### **3.7 Australian Securities Exchange Listing**

Applications for official quotation by ASX of the Options offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus, (or such period as modified by the ASIC), the Company will not issue any Options and will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the Options is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

### **3.8 Allotment of Options**

Options issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. The Company will allot the Options on the basis of a Shareholder's Entitlement.

Pending the allotment and issue of the Options, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

### **3.9 Taxation Implications**

The Directors do not consider that it is appropriate to give Applicants advice regarding the taxation consequences of applying for Securities under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Applications. Potential Applicants should, therefore, consult their own

professional tax adviser in connection with the taxation implications of the Options offered pursuant to this Prospectus.

### **3.10 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship**

The Company will not be issuing Option certificates. The Company will apply to ASX to participate in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Options allotted to them under this Prospectus. The notice will also advise the holders of their Holder Identification Number of Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

### **3.11 Privacy Act**

If you complete an application for Options, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder (or Optionholder), facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorized securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Options, the Company may not be able to accept or process your application.

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#### 4. FINANCIAL INFORMATION

The Company's unaudited Pro Forma Balance Sheet as at 30 November 2011 shown below.

The unaudited Balance Sheet has been prepared to provide Shareholders with information on the assets and liabilities of the Company based on the audited 30 June 2011 balance sheet with adjustments the Directors consider appropriate to effect a pro forma Balance Sheet as at 30 November 2011, based on 100% subscription. Only current assets and issued equity are affected. The financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to financial statements.

#### Balance Sheet to 30 November 2011 - unaudited Pro Forma

	\$
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	4,773,459
Trade and other receivables	47,655
Other Current Assets	32,139
<b>TOTAL CURRENT ASSETS</b>	<b>4,853,253</b>
<b>NON-CURRENT ASSETS</b>	
Plant and equipment	168,258
Exploration and evaluation costs	308,800
<b>TOTAL NON-CURRENT ASSETS</b>	<b>477,058</b>
<b>TOTAL ASSETS</b>	<b>5,330,311</b>
<b>CURRENT LIABILITIES</b>	
Trade and other payables	111,008
<b>TOTAL CURRENT LIABILITIES</b>	<b>111,008</b>
<b>TOTAL LIABILITIES</b>	<b>111,008</b>
<b>NET ASSETS</b>	<b>5,219,303</b>
<b>EQUITY</b>	
Issued Capital	5,779,280
Reserves	(68,438)
Accumulated Losses	(491,539)
<b>TOTAL EQUITY</b>	<b>5,219,303</b>

\*Note: The pro forma balance sheet reflects the payment of the expenses of the issue (estimated) after all Options have issued on a full subscription basis. If the Option offer is not fully subscribed, then Current Assets will consequently reflect a lesser amount raised.

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## 5. RIGHT ATTACHING TO OPTIONS AND UNDERLYING SECURITIES

### 5.1 Rights Attaching to Options

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share. Such Option requires a subscription amount of \$0.20 to be paid to the Company when a Shareholder takes up all or part of their Entitlement and if they are issued with Shortfall Securities.
- (b) Each Option will expire at 5.00pm (WST) on 23 December 2016 (**Expiry Date**). An Option not exercised before this Expiry Date will automatically lapse on the Expiry Date.
- (c) Subject to paragraph (k), the amount payable upon exercise of each Option will be \$0.20 (**Exercise Price**).
- (d) The Options held by each Optionholder may be exercised in whole or in part.
- (e) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
  - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised, (**Option exercise form**), which is available upon request from the share registry.
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 business days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) Subject to the expiry of any applicable escrow period the Options shall be freely transferable.
- (i) All Shares allotted upon the exercise of Options will, upon allotment, rank pari passu in all respects with other Shares.
- (j) The Company will apply for quotation of the Options on ASX. In addition, the Company will also apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.
- (m) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.



## **5.2 Rights Attaching to Shares (being the underlying securities)**

The following is a summary of the more significant rights and liabilities attaching to Shares. Full details of the rights attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

The rights, privileges and restrictions attaching to Shares can be summarized as follows:

(a) Share Capital

All issued Shares rank equally in all respects.

(b) Voting Rights

At a general meeting of the Company, every shareholder present in person, by an attorney, representative or proxy has one vote on a show of hands and on a poll, one vote for every Share held, and for every Partly Paid Share held, a fraction of a vote equal to the proportion which the amount paid up bears to the total issue price of the contributing ordinary share.

(c) Dividend Rights

Subject to the rights of holders of shares issued with any special or preferential rights (at present there are none), the profits of the Company which the Directors may from time to time determine to distribute by way of dividend are divisible among the shareholders in proportion to the Shares held by them respectively, according to the amount paid up (not credited as paid up on them).

(d) Rights on Winding-Up

On a winding-up of the Company, all assets which may be legally distributed amongst the members will be distributed in proportion to the Shares held by them respectively, irrespective of the amount paid up or credited as paid up on the share.

(e) Transfer of Shares

Shares may be transferred by instrument in any form which complies with the Company's constitution, the Corporations Act, ASX Listing Rules and ASTC Settlement Rules.

Shares may be transferred by such means in accordance with ASX Listing Rules and the ASTC Settlement Rules. The Directors may refuse to register a transfer of shares only in those circumstances permitted by the Company's constitution, ASX Listing Rules and ASTC Settlement Rules.

(f) Calls on Shares

Where shares are issued as partly paid, the Directors may make calls upon the holders of those shares to pay the whole of or a portion of the balance of the issue price. If a Shareholder fails to pay a call or instalment of a call, then subject to the Corporations Act and ASX Listing Rules, the shares in respect of the call may be forfeited and interest and expenses may be payable in accordance with the Company's constitution, the Corporations Act and ASX Listing Rules or proceedings taken to recover the amount unpaid.

(g) Further Increases in Capital

The allotment and issue of any new shares is under the control of the Directors and, subject to any restrictions on the allotment of shares

imposed by the Company's constitution, ASX Listing Rules or the Corporations Act, the Directors may allot, issue or grant options over or otherwise dispose of those shares to such persons, with such rights or restrictions as they may from time to time determine.

(h) Variation of Rights Attaching to Shares

Where shares of different classes are issued, the rights attaching to the shares of a class (unless otherwise provided by their terms of issue) may only be varied by a special resolution passed at a separate general meeting of the holders of those shares of that class, or with the written consent of the holders of at least three quarters of the issued shares of that class.

(i) General Meeting

Each shareholder will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to shareholders under the Company's constitution, the Corporations Act and ASX Listing Rules.

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## **6. ADDITIONAL INFORMATION**

### **6.1 Listing on ASX and Escrow of Securities**

The Company was admitted to the Official List of the ASX on 20 September 2011, with official quotation of its Shares commencing on 22 September 2011.

Pursuant to Chapter 9 of the ASX Listing Rules, a number of the securities issued pursuant to the IPO Prospectus have been made subject to escrow requirements.

Details of these securities subject to escrow and the periods of escrow of those securities are as follows:

- (a) 2,400,000 Shares escrowed until 18 February 2012.
- (b) 13,625,009 Shares escrowed until 22 September 2013.

The balance of the issued capital of the Company being 33,771,000 Shares, are quoted and freely tradeable on ASX.

### **6.2 Material Contracts**

The Company has not entered into any material contracts other than those mentioned in the IPO Prospectus.

### **6.3 Continuous Disclosure and Documents Available for Inspection**

The Company is listed on ASX and its Shares are quoted on ASX. It has ASX Code: BAC. The Company is a "disclosing entity" for the purposes of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations, which require it to disclose to ASX any information of which it is or becomes aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company. The Company will provide a copy of all documents used to notify ASX of information relating to the Company under the provisions of the Listing Rules since official quotation. As at the time of lodging this Prospectus the only such documents were:

<b>Date</b>	<b>Description of Announcement/Document</b>
12/08/2011	Baru Resources Limited – Prospectus
20/09/2011	Admission to the Official List
20/09/2011	Circular Commencement of official quotation
20/09/2011	Pre Quotation Disclosure
20/09/2011	Distribution Schedule
20/09/2011	Top 20 holders
20/09/2011	Constitution
20/09/2011	Appendix 1A
20/09/2011	Number and escrow period of restricted securities

20/09/2011	Corporate governance statement
20/09/2011	Securities trading policy
20/09/2011	Updated pro-forma balance sheet
20/09/2011	Updated statement of commitments
20/09/2011	Updated on the status of application for EPC 2075
20/09/2011	Statement confirming Joint Venture
21/09/2011	Financial Report for period ended 30 June 2011
21/09/2011	Initial Director's Interest Notice
21/09/2011	Initial Director's Interest Notice
21/09/2011	Initial Director's Interest Notice
21/09/2011	Becoming a substantial holder
21/09/2011	Becoming a substantial holder
30/09/2011	Annual Report to shareholders
19/10/2011	Notice of Annual General Meeting/Proxy Form
26/10/2011	Quarterly Cashflow Report
26/10/2011	Quarterly Activities Report
15/11/2011	Company update
18/11/2011	2011 AGM Presentation
18/11/2011	Results of Meeting
02/12/2011	Securities to be Release from Escrow
19/12/2011	Appendix 3B
21/12/2011	Company Update

ASX maintains files containing publically available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours. The announcements are also available through the Company's website [www.baru.com](http://www.baru.com)

#### **6.4 Trading History**

Official quotation of the Shares commenced on 22 September 2011 and consequently, the trading history on ASX as at the date of this Prospectus is limited to the period since then.

The highest and lowest recorded market sale prices of the Shares quoted on ASX during the period from commencement of Official Quotation to the date of this Prospectus are as follows:

Highest: \$0.185 on 22 September 2011

Lowest: \$0.13 on 14 November 2011

The latest available closing sale price of the Company's Shares on ASX prior to the lodgment of this Prospectus with the ASIC was \$0.14 on 22 December 2011.

## **6.5 Interests and Consents of Experts and Advisers**

Persons who make statements in this Prospectus need to provide their written consent for such use.

Each of the parties referred to in this Section:

- (a) Does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) To the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent or that party as specified in this section.

Hall Chadwick Chartered Accountants have given their written consent to being named as Auditors in this Prospectus.

Hemming+Hart Lawyers have given their consent to being named as Solicitors to the Company in this Prospectus and have not withdrawn their consent prior to the lodgment of this Prospectus with ASIC.

Advanced Share Registry Services Limited have given their written consent to being named the Company's Share Registry in this Prospectus and have not withdrawn their consent prior to lodgment of this Prospectus with the ASIC.

## **6.6 Electronic Prospectus**

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the application form. If you have not, please phone the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an application form from a person if it has reason to believe that when that person was given access to the electronic application form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

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**7. AUTHORITY OF DIRECTORS**

**7.1 Directors' Consent**

Each of the Directors of Baru Resources Limited has consented to the lodgment of this Prospectus with the ASIC in accordance with Section 720 of the Corporations Act.

Dated 23 December 2011

A handwritten signature in black ink, appearing to read 'Richard Anthon', written in a cursive style.

**Signed for and on behalf of Baru Resources Limited**

**Richard Anthon**

**Non-Executive Chairman**

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## 8. DEFINITIONS

**Applicant** means a Shareholder who applies for Securities pursuant to the Offer.

**ASIC** means the Australian Securities and Investments Commission.

**ASX Settlement Operating Rules** means the settlement rules of the securities clearing house which operates CHESS.

**ASX** means the ASX Listed (ACN 008 624 691).

**Board** means the board of Directors unless the context indicated otherwise.

**Business Day** means a day which trading takes place on the stock market of ASX.

**Closing Date** means the closing date of the Offer, being 5.00pm (WST) on 27 January 2012.

**Company** or **Baru** means Baru Resources Limited ACN 147 324 847.

**Constitution** means the Company's Constitution as at the date of this Prospectus.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** means the directors of the Company at the date of this Prospectus.

**Dollar** or "\$" means Australian dollars.

**Entitlement** means the entitlement of a Shareholder who is eligible to participate in the Offer.

**Entitlement and Acceptance Form** means the entitlement and acceptance form either attached to or accompanying this Prospectus.

**IPO Prospectus** means the prospectus issued by the Company dated 3 August 2011 in relation to its initial public offer.

**Issue** means the issue of Options offered by this Prospectus.

**JORC Code** means the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

**Listing Rules** or ASX Listing Rules means the Listing Rules of the ASX.

**Offer** means the offer pursuant to the Prospectus on the basis of one Option for every 2 Shares held by a Shareholder on the Record Date at an issue price of \$0.20 per Option, to raise approximately \$24,898 before expenses.

**Official List** means the official list of ASX.

**Offer Period** means the period commencing on the Opening Date and ending on the Closing Date.

**Option** or **New Option** means an option to acquire a Share offered under this Prospectus.

**Option Holders** means those parties holding Options.

**Prospectus** means this prospectus.

**Quotation** and **Official Quotation** means official quotation on ASX.

**Record Date** means 7.00pm (WST) on 6 January 2012.

**Related Corporation** has the meaning given to that term in the Corporations Act.

**Securities** means Shares and Options.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a shareholder of the Company.

**Shortfall Securities** means those Securities under the Offer not applied for by Shareholders under their Entitlement.

**Tenements** means EPC 2072, EPC 2073, EPC 2074, EPCA 2075 (including any exploration permit for coal granted in connection with this application), EPC 2076, EPC 2077 and EPC 2078.

**Tenement Interest** means the Company's interest in the Tenements arising from the JV Agreement.

**Tenement Joint Venture Agreement** or **JV Agreement** means the agreement executed by the Company with WG Exploration on 3 August 2011 pursuant to which the Company agreed to acquire up to a 80% interest in coal activities on the Tenements.

**WG Exploration** means West Galilee Exploration Pty Ltd.

**WST** means Western Standard Time.



# ENTITLEMENT AND ACCEPTANCE FORM

## BARU RESOURCES LIMITED

ACN 147 324 847

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCKBROKER OR LICENSED PROFESSIONAL ADVISOR

**REGISTERED OFFICE:** Baru Resources Limited  
Suite 304, 22 St Kilda Road, ST KILDA, VIC, AUSTRALIA, 3182  
Tel: (+61)(03) 9692 7222 Fax: (+61)(03) 9529 8057

**SHARE REGISTRY:** Advanced Share Registry Services  
150 Stirling Highway, Nedlands, WA 6009  
Tel: (+61)(08) 9389 8033 Fax: (+61)(08) 9389 7871

**Offer Closes: 5:00 PM (WST) on Friday, 27 January 2012**

This Entitlement and Acceptance Form should be read in conjunction with the prospectus issued by the Company dated 23 December 2011 relating to the non-renounceable pro-rata entitlement issue on the basis of one (1) new Option (**New Option**) for every two (2) Shares at an offer price of \$0.001 per New Option (**Offer Price**) to raise up to approximately \$24,898 before expenses (**Prospectus**). Terms defined in the Prospectus have the same meaning when used in this Entitlement and Acceptance Form, except where the context requires otherwise.

As an eligible Shareholder you are entitled to acquire one (1) New Option for every two (2) Shares you held on the Record Date. You may also apply for New Option in excess of your Entitlement at the Offer Price. If you would like to do so refer to the Shortfall Acceptance Form enclosed with the Prospectus.

### HOW TO APPLY

To the Directors  
BARU RESOURCES LIMITED

1. I/We the above named being registered at the Record Date being 6 January 2012 at 7.00pm (WST) as the holder(s) of ordinary shares in your Company hereby accept and apply for the undermentioned New Options where indicated, to be issued in accordance with the terms of the Prospectus accompanying this form.
2. I/We enclose my/our cheque made payable to **BARU RESOURCES LIMITED – OPTION ISSUE**, for the amount shown being payment at the rate of \$0.001 per New Option applied
3. I/We hereby authorise you to place my/our name(s) on the register of members in respect of the number of New Options allotted to me/us.
4. I/We agree to be bound by the Constitution of the Company.
5. If any information on this form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept this form, and how to construe, amend or complete it shall be final.

NUMBER OF NEW OPTIONS ACCEPTED (BEING NOT MORE THAN THE ENTITLEMENT SHOWN ABOVE)	@ \$0.001 PER OPTION	TOTAL AMOUNT ENCLOSED
		AUD\$

### METHOD OF PAYMENT

You can apply for New Options and make your payment by Cheque Only.

PLEASE ENTER CHEQUE DETAILS THANK YOU	Drawer	Bank	Branch	Amount

### Contact details

My/Our contact numbers in the case of enquiry are:

Telephone:(.....)..... Email: .....

**NOTE:** Cheques should be made payable to **BARU RESOURCES LIMITED – OPTION ISSUE**, crossed **NOT NEGOTIABLE** and forwarded to Advanced Share Registry Ltd, in accordance with instructions overleaf to arrive no later than 5.00 pm (WST) on Friday, 27 January 2012.

Complete this panel and sign below only if a change of address is to be registered with the Company (CHESS HOLDERS CAN ONLY AMEND THEIR ADDRESS BY ADVISING THEIR CONTROLLING PARTICIPANT)	
New Address:	
Signature(s):	
	Date:
Please indicate correct title: Director / Secretary / .....	

THIS IS A PERSONALISED FORM FOR THE SOLE USE OFss THE SECURITYHOLDER AND HOLDING RECORDED ABOVE

## EXPLANATION OF ENTITLEMENT

1. The front of this form sets out the number of New Options, which you are entitled to accept (**Entitlement**).
2. Your Entitlement may be accepted either in full or in part. There is no minimum acceptance.
3. The price payable on acceptance of each New Option is \$0.001.
4. The Offer to which this Entitlement and Acceptance Form relates is not being made to investors located or resident outside of Australia or New Zealand. In particular the Offer is not being made to any person in the U.S or a US person. The Prospectus and Entitlement and Acceptance Form do not constitute an offer or invitation to acquire securities in any place in which, or to any person to which, it would be unlawful to made such an offer or invitation.

## INSTRUCTIONS TO APPLICANTS

### Declaration

By returning the Entitlement and Acceptance Form with payment to Advanced Share Registry Ltd, you:

1. confirm that you agree to all of the terms and conditions of the Prospectus as enclosed with this form and the terms and conditions set out in the Entitlement and Acceptance Form; and
2. provide authorisation to be registered as a holder of New Options acquired by you.

If an Entitlement and Acceptance Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept an Entitlement and Acceptance Form, and how to construe, amend or complete it, shall be final. An Entitlement and Acceptance Form will not however, be treated as having offered to subscribe for more New Options than is indicated by the amount of the accompanying cheque.

### Contact details

Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Entitlement and Acceptance Form.

### Payment details

You can apply for New Options by utilising the payment options detailed below.

If the amount you pay is insufficient to pay for the number of New Options you apply for, you will be taken to have applied for such lower number of New Options as that amount will pay for, or your application will be rejected.

If the amount you pay is more than the amount payable for your full Entitlement, you will be taken to have applied for the maximum number of New Options you are entitled to apply on this form and any excess above your full Entitlement will be returned to you.

### A If paying by cheque

Your cheque should be made payable to **BARU RESOURCES LIMITED – OPTION ISSUE** in Australian currency and crossed "NOT NEGOTIABLE" using BLOCK LETTERS. Your cheque must be drawn on an Australian branch of a financial institution. Please ensure you submit the correct amount. Incorrect payments may result in your application for New Options being rejected. Complete the cheque details in the boxes on the Entitlement and Acceptance Form.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your application for New Options being rejected.

You will need to return the cheque with your completed Entitlement and Acceptance Form. Paperclip (do not staple) your cheque(s) to the Entitlement and Acceptance Form. Cash will not be accepted. A receipt for payment will not be forwarded.

## LODGEMENT OF YOUR APPLICATION

Your completed Entitlement and Acceptance Form and cheque may be mailed to the postal address or hand delivered to the delivery address noted below.

Mailing address:	Hand delivery address:
Baru Resources Limited C/-Advanced Share Registry Services 150 Stirling Highway NEDLANDS WA 6009	Baru Resources Limited C/-Advanced Share Registry Services PO Box 1156 NEDLANDS WA 6909

Neither Advanced Share Registry Ltd nor the Company accepts any responsibility if you lodge the Entitlement and Acceptance Form at any other address or by any other means.

When paying by cheque your Entitlement and Acceptance Form and cheque must be received by Advanced Share Registry Ltd by no later than 5.00 pm (WST) on Friday, 27 January 2012. You should allow sufficient time for this to occur.

## PRIVACY STATEMENT

Personal information is collected on this form by Advanced Share Registry Ltd, as registrar for securities issuers ("**the issuer**"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Advanced Share Registry Ltd, or you would like to correct information that is inaccurate, incorrect or out of date, please contact Advanced Share Registry Ltd. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting Advanced Share Registry Ltd. You can contact Advanced Share Registry Ltd using the details provided on the front of this form.

**If you have any enquiries concerning this form or your Entitlement, please contact Advanced Share Registry Ltd on telephone 618 9389 8033 or fax 618 9389 7871 between 8:30 am and 5:30 pm (WST) Monday to Friday.**

**CHESSE holders must contact their Controlling Participant to notify a change of address.**