

Baru Resources Limited

ACN 147 324 847

Half-year Financial Report - 31 December 2012

Baru Resources Limited
Contents
31 December 2012

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Baru Resources Limited
Corporate directory
31 December 2012

Directors	Kevin Nichol (Managing Director) Peter Avery (Non-executive Chairman) Andrew Bald (Non-executive Director)
Company secretary	Melanie Leydin
Registered office	Level 4 100 Albert Road South Melbourne VIC 3205
Principal place of business	Level 4 100 Albert Road South Melbourne VIC 3205
Share register	Advanced Share Registry Ltd 150 Stirling Highway Nedlands WA 6009
Auditor	Hall Chadwick Level 29 St Martin's Tower 31 Market Street Sydney NSW 2000
Bankers	Macquarie Bank Limited Level 26 101 Collins Street Melbourne Vic 3000
Stock exchange listing	Baru Resources Limited shares are listed on the Australian Securities Exchange (ASX code: BAC) (ASX Code Options: BACO)
Website	www.baru.com.au

Baru Resources Limited
Review of Operations
31 December 2012

Over the December half year Baru Resources was able to advance our Longreach thermal coal project where an independent review estimated an exploration target of 582 to 6,171Mt¹ of coal potential within the Eromanga Basin based on publically available information. The first tenement in the Longreach Project, EPC2840 was granted in October 2012. It is expected the remaining 5 tenements will be granted in the March Quarter of 2013.

During the half year reporting period 6 tenements of the West Galilee Project were dropped allowing Baru to focus on the most northerly tenement in the project EPC2076. Baru Resources now has a total project area comprising 16 tenements (2 granted Coal Exploration Permits and 14 Coal Exploration Permit Applications) covering a total of ~16,000km² within the Eromanga and Galilee Basins.

Baru Resources has investigated a number of potential acquisitions in Australia and overseas and is now at an advanced stage of negotiations regarding the purchase of a small low cost thermal coal project in Indonesia to complement our existing Australian thermal coal projects. In addition a copper/gold focused opportunity in south-east Asia is also currently being accessed. A summary of each of our three projects is provided below.

Longreach Project

The Longreach Project consists of six (6) EPCA's totaling 5099.6km² is located in Central Queensland, near the township of Longreach 716 km west of Gladstone. The tenements are aligned north south and stretch 160km north to 45km south of Longreach. The tenements were pegged by Baru Resources in late 2011 to compliment the Company's existing Queensland coal project. (Figure 1)

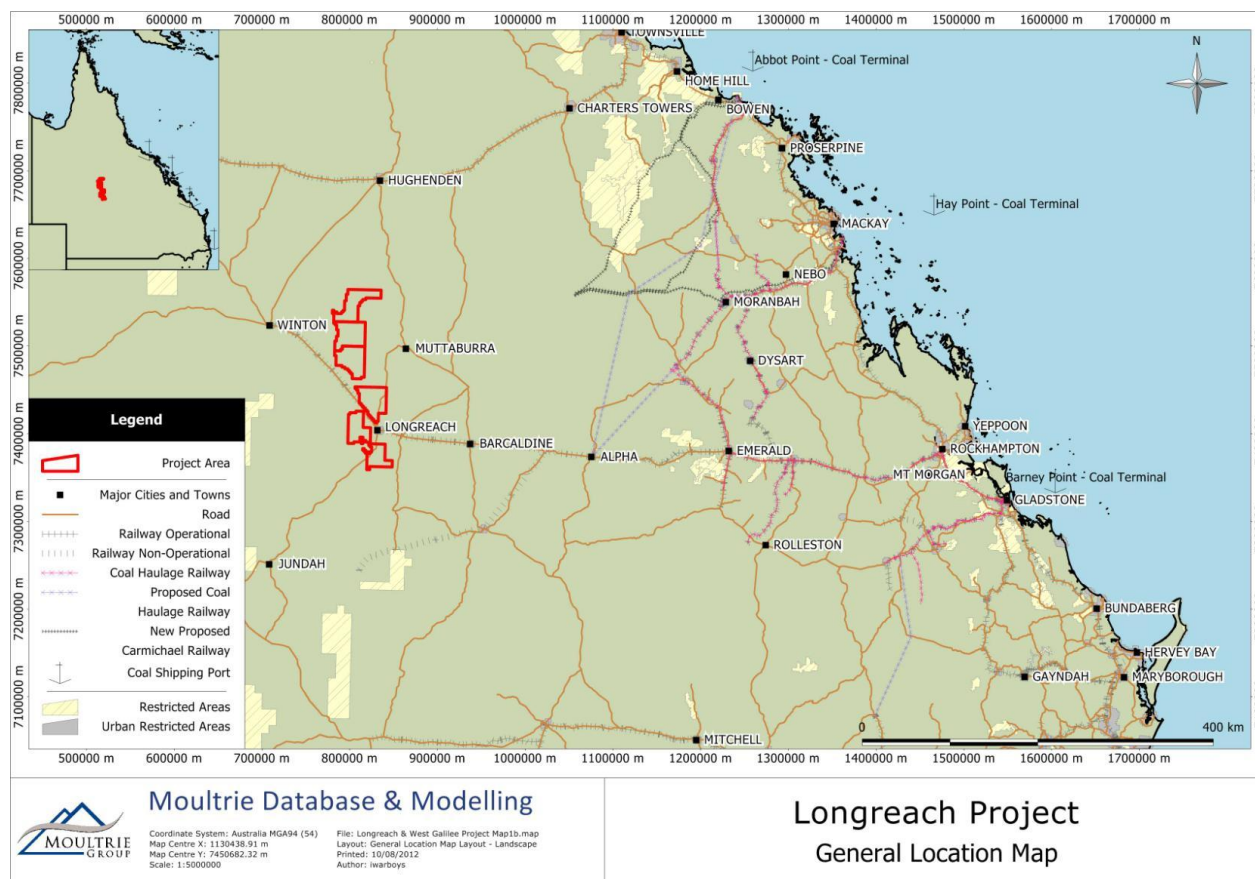


Figure 1 - Longreach Project Location

Regional Geology

The project area is underlain by two distinct sedimentary Basins, the Eromanga and Galilee Basins; the Basins are separated by a major unconformity. Eromanga Basin sediments outcrop over much of the Project Area, while the Galilee Basin strata occur at depth in the northern Half of the project area. (Figure 2)

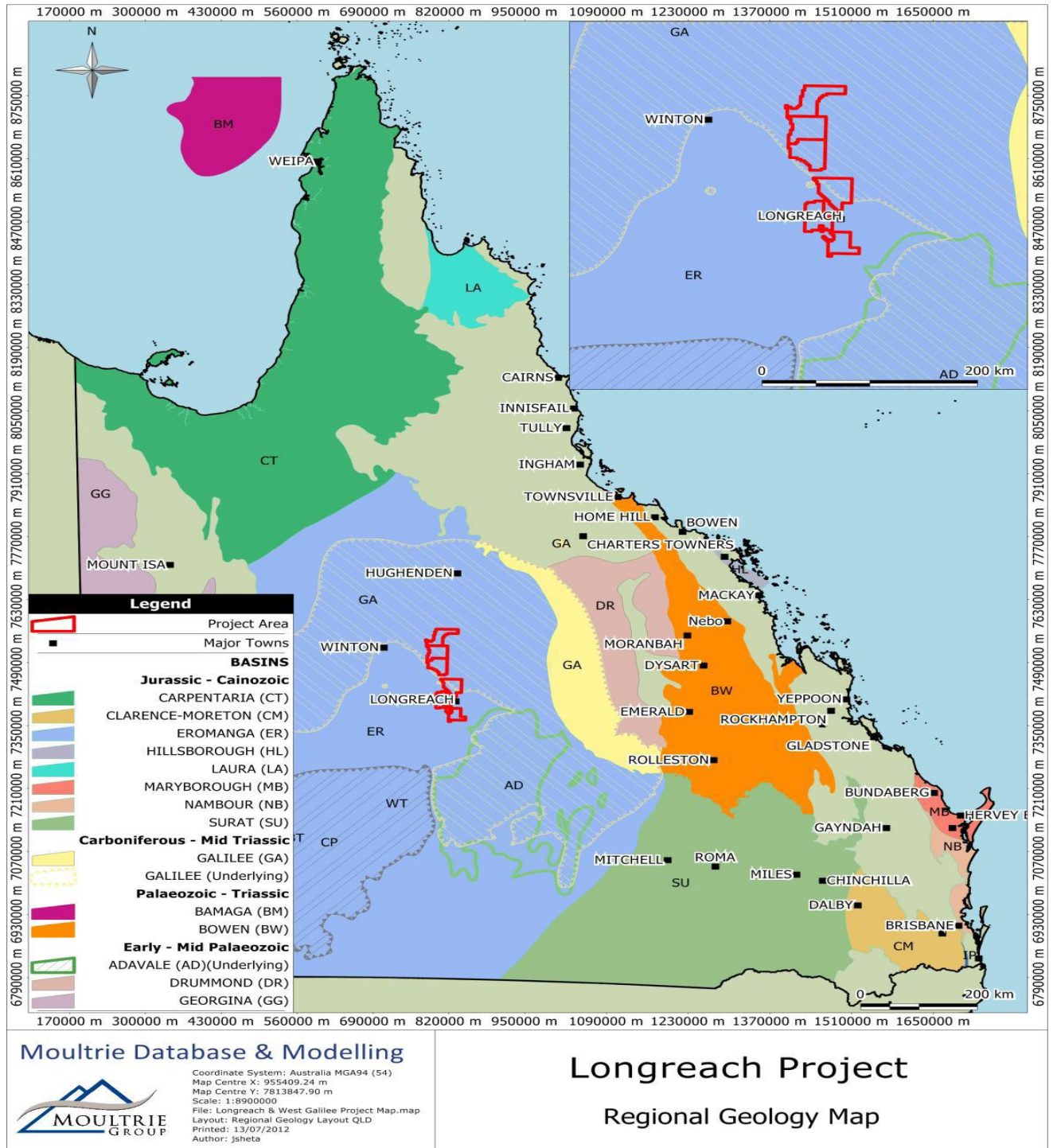


Figure 2 - Regional Geology Map

Local Geology

The surface geology is dominated by the Late Cretaceous Winton Formation of the Eromanga Basin, which conformably overlies the Early Cretaceous Mackunda Formation. The Mackunda Formation outcrops in the eastern regions of EPC's 2917, 2839 and 1912. Remnants of the Tertiary Glendower Formation can be seen trending southwest northeast through EPC2912 and EPC2838.

The most prominent structure in the project area is a north south trending anticline. The structure extends from the western margin of EPC 2838 in the south, through EPC2837 and EPC 2839 and into EPC 2917 in the north. The Muckunda Formation has been uplifted to the surface in two areas in the hinge of this anticline. A map of the local geology is shown in below. **(Figure 3)**

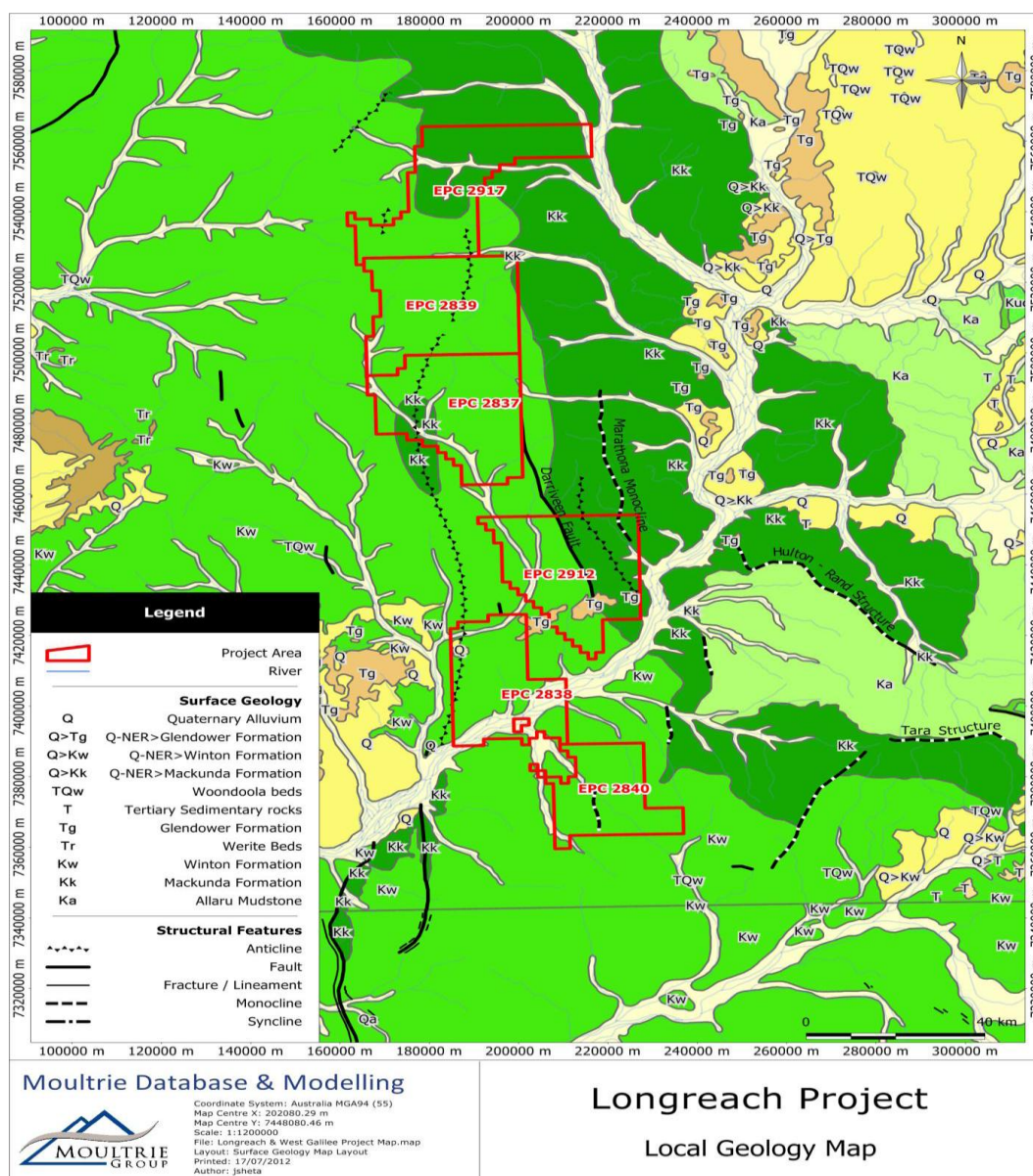


Figure 3 – Local Geology Map

Baru Resources Limited
Review of Operations (continued)
31 December 2012

Galilee Project

The Galilee Project consists of 9 EPCA's, 8,484.9km² in area. The project is situated on the margin of the Galilee basin in Central Queensland.

There has been limited exploration for coal within the project area to date, however recent drilling targeting Gas has highlighted extensive coal seams within the Betts Creek beds throughout and adjacent to the project area. The success of this drilling has highlighted the potential for large tonnages of coal potentially suitable for underground coal gasification with the Aramac and Betts Creek Beds. Baru is currently assessing options to advance this project.

West Galilee Project

During the quarter 6 tenements of the west galilee Project were dropped allowing Baru to focus efforts of EPC2076 in the northern portion of the tenement. The project area is some 375km east of Mt Isa and 16km north of the town of Richmond, close to the northern margin of the Eromanga Basin, which overlies the Galilee Basin in central Queensland.

Details of the Longreach, West Galilee and Galilee Project tenements are summarised within Tables 1, 2 and 3.

Table 1 – Longreach Project Tenement Details

Tenure	Status	Date Lodged	Date Granted	Date Expires	Principal Holder	No. of Sub blocks
EPCA2837	Application	10-Oct-11	TBA	TBA	Baru Resources Ltd	300
EPCA2838	Application	10-Oct-11	TBA	TBA	Baru Resources Ltd	231
EPCA2839	Application	10-Oct-11	TBA	TBA	Baru Resources Ltd	300
EPC2840	Granted	10-Oct-11	22-Oct-12	21-Oct-17	Baru Resources Ltd	182
EPCA2912	Applications	13-Dec-11	TBA	TBA	Baru Resources Ltd	300
EPCA2917	Applications	13-Dec-11	TBA	TBA	Baru Resources Ltd	298

The Longreach Project is 100% owned by Baru Resources.

Baru Resources Limited
Review of Operations (continued)
31 December 2012

Table 2 – Galilee Project Tenement Details

Tenure	Status	Date Lodged	Date Granted	Date Expires	Principal Holder	No. of Sub blocks
EPCA2909	Application	13-Dec-11	TBA	TBA	Baru Resources Ltd	300
EPCA2910	Application	13-Dec-11	TBA	TBA	Baru Resources Ltd	300
EPCA2911	Application	13-Dec-11	TBA	TBA	Baru Resources Ltd	279
EPCA2913	Applications	13-Dec-11	TBA	TBA	Baru Resources Ltd	300
EPCA2914	Applications	13-Dec-11	TBA	TBA	Baru Resources Ltd	300
EPCA2916	Applications	13-Dec-11	TBA	TBA	Baru Resources Ltd	300
EPCA2918	Applications	13-Dec-11	TBA	TBA	Baru Resources Ltd	300
EPCA2919	Applications	13-Dec-11	TBA	TBA	Baru Resources Ltd	300
EPCA2920	Applications	13-Dec-11	TBA	TBA	Baru Resources Ltd	300

The Galilee Project is 100% owned by Baru Resources.

Table 3 - West Galilee Exploration Pty Ltd Tenement Details

Tenure	Status	Date Lodged	Date Granted	Date Expires	Principal Holder	No. of Sub blocks
EPC2076*	Granted	04-Mar-10	29-Mar-11	28-Mar-13	West Galilee Exploration Pty Ltd	300

** West Galilee Exploration Pty Ltd is now 100% owned by Baru Resources.*

¹It should be noted that the tonnages quoted above are conceptual in nature and there has been insufficient exploration to define a coal resource. No coal quality data within the project area was uncovered in previous reports. Although a preliminary analysis was undertaken, insufficient data exists to confidently correlate coal seams and generate a grid mesh model. It is uncertain whether further exploration may lead to the reporting of a coal resource, however there is some evidence to support the current exploration tonnage calculations and the sufficient coal thicknesses interpreted from historic drilling, to warrant further investigation in some areas.

Coal Resource Statement of Competence and Compliance

Resource Estimation:

The estimates of Exploration Targets, and Coal Resources presented in this Report are considered to be a true reflection of the Coal Resources as at 30 December 2013 and have been carried out in accordance with the principles and guidelines of the Australian Code for Reporting of Coal Resources and Coal Reserves published in September 2004 (JORC Code).

The undersigned have sufficient experience relevant to the style and type of coal deposit under consideration and to the activity, which is being undertaken to qualify as a Competent Person (or Recognised Mining Professional) or Technical Specialists as defined in the 2004 Edition of the JORC Code. The undersigned consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Baru Resources Limited
Review of Operations (continued)
31 December 2012

Competent Persons Qualification

This Report has been prepared by Kim Maloney for and on behalf of Baru Resources Ltd. Kim Maloney has over 10 years of experience in coal mining and extractive industry throughout Australia. Kim has experience within the Central Queensland coal mines and has held various roles in these mine's Technical Services, including Exploration Geologist, Mine Geologist and Geology Superintendent.

Kim is a Competent Person for coal as defined by the JORC Code (2004) and Kim's experience has required her to develop, implement and maintain geological models (structural & quality), geological databases, temporal and spatial reconciliation processes, coal quality (loss and contamination), slope dump management plans, geotechnical audits, reserves and resources audits, exploration programs and provide geological training and support for different facies of the mining industry as well as business improvement initiatives.

Kim is a Senior Resource Geologist within Moultrie Database & Modelling, a part of the Moultrie Group and holds the position of General Manager. Her principal qualifications are a Bachelor of Science from James Cook University and a Masters of Business Administration (Human Resource Management) from the Central Queensland University. Kim is a Member of The Australasian Institute of Mining & Metallurgy (# 229120) and a Member of the Bowen Basin Geological Group.

Name	Job Title	Professional Affiliation	Resource Experience (Years)
Kim Maloney	Senior Resource Geologist General Manager Moultrie Database & Modelling	AusIMM 229120	7

Baru Resources Limited
Directors' report
31 December 2012

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Baru Resources Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2012.

Directors

The following persons were directors of Baru Resources Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr Kevin Nichol
Mr Peter Avery
Mr Andrew Bald (appointed 26 July 2012)
Mr Richard Anthon (resigned 26 July 2012)

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- identification and development of export hard coking coal and export thermal coal.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$971,803 (31 December 2011: \$452,262).

During the half-year the interest income for the company amounted to \$289,515, mainly arising from loans to other entities, as well as term deposits and bank deposits. The company recognised a gain on disposal of financial assets held for sale during the period of \$37,127, arising from the sale of listed shares.

The first tenement in the Longreach Project was granted during the half-year, with the remaining 5 tenements in the Project under application, with licences expected to be granted in the second half of the financial year. The Company also relinquished 6 tenements in the West Galilee Project to focus on the most northerly tenement in the project. This resulted in a write off of previously incurred exploration and evaluation expenditure.

Financial Position

The net assets of the Company at 31 December 2012 are \$3,774,773 (30 June 2012: \$4,730,493). Working capital available to the Company amounted to \$3,498,453 (30 June 2012: \$3,859,962).

The Company has focussed on protecting its financial resources in order to focus its spending on its targeted projects. This has resulted in the Company increasing its holdings of financial assets during the period by acquiring a broader investment portfolio and increasing the level of trading of listed investments. At the balance date the company has cash assets of \$1.9 million and financial assets relating to listed investments of \$856,795.

During the half-year the Company has focused its attention on controlling costs and expenditure and identifying priorities for exploration and evaluation expenditure. The Longreach Project in Queensland provides large scale thermal coal exploration targets expected to be at depth suitable for open cut mining. The West Galilee Project, in close proximity to the Longreach Project in Queensland, is an area with significant exploration programs and indicative resources in the surrounding area. Given the high level of capital and operating costs associated with underground mining, the company has focussed its attention on the Longreach project. This resulted in the Company relinquishing 6 of the 7 licences held in the West Galilee Project.

A review of operations for the half year has been presented preceding this Directors' Report.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Baru Resources Limited
Directors' report
31 December 2012

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Kevin Nichol
Managing Director

1 March 2013
Melbourne

**BARU RESOURCES LIMITED
ACN 147 324 847
AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF BARU RESOURCES LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2012 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- ii. No contraventions of any applicable code of professional conduct in relation to the review.

Hall Chadwick
Level 29, St Martins Tower
31 Market Street
SYDNEY NSW 2000



Drew Townsend
Partner
Date: 1 March 2013

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Baru Resources Limited
Statement of comprehensive income
For the half-year ended 31 December 2012

		Consolidated	
		31	31
	Note	December	December
		2012	2011
		\$	\$
Revenue		289,516	80,038
Other income	4	41,112	-
Expenses			
Administration expenses		(88,280)	(68,585)
Corporate expenses		(166,718)	(312,721)
Employee benefits expense		(334,704)	(150,994)
Depreciation and amortisation expense		(320)	-
Write off of exploration expenditure		(712,409)	-
Loss before income tax expense		(971,803)	(452,262)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Baru Resources Limited		(971,803)	(452,262)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Gain on the revaluation of available-for-sale financial assets, net of tax		16,083	-
Loss on the revaluation of available-for-sale financial assets, net of tax		-	(111,159)
Other comprehensive income for the half-year, net of tax		16,083	(111,159)
Total comprehensive income for the half-year attributable to the owners of Baru Resources Limited		(955,720)	(563,421)
		Cents	Cents
Basic earnings per share		(1.95)	(1.23)
Diluted earnings per share		(1.95)	(1.23)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Baru Resources Limited
Statement of financial position
As at 31 December 2012

	Consolidated	
	31	
Note	December	30 June
	2012	2012
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	1,898,774	2,778,643
Trade and other receivables	764,150	661,058
Available-for-sale financial assets	5 856,795	467,805
Other	46,442	19,476
Total current assets	<u>3,566,161</u>	<u>3,926,982</u>
Non-current assets		
Property, plant and equipment	1,601	-
Exploration and evaluation	6 259,719	855,531
Other	15,000	15,000
Total non-current assets	<u>276,320</u>	<u>870,531</u>
Total assets	<u>3,842,481</u>	<u>4,797,513</u>
Liabilities		
Current liabilities		
Trade and other payables	61,749	60,191
Provisions	5,959	6,829
Total current liabilities	<u>67,708</u>	<u>67,020</u>
Total liabilities	<u>67,708</u>	<u>67,020</u>
Net assets	<u>3,774,773</u>	<u>4,730,493</u>
Equity		
Issued capital	5,893,325	5,893,325
Reserves	271,172	255,089
Accumulated losses	<u>(2,389,724)</u>	<u>(1,417,921)</u>
Total equity	<u>3,774,773</u>	<u>4,730,493</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Baru Resources Limited
Statement of changes in equity
For the half-year ended 31 December 2012

	Contributed equity \$	Options reserve \$	Available-for sale reserve \$	Retained profits \$	Total equity \$
Consolidated					
Balance at 1 July 2011	375,259	-	-	(110,335)	264,924
Loss after income tax expense for the half-year	-	-	-	(452,262)	(452,262)
Other comprehensive income for the half-year, net of tax	-	-	(111,159)	-	(111,159)
Total comprehensive income for the half-year	-	-	(111,159)	(452,262)	(563,421)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	5,939,200	-	-	-	5,939,200
Capital Raising costs	(463,980)	-	-	-	(463,980)
Balance at 31 December 2011	<u>5,850,479</u>	<u>-</u>	<u>(111,159)</u>	<u>(562,597)</u>	<u>5,176,723</u>
	Contributed equity \$	Options reserve \$	Available-for sale reserve \$	Retained profits \$	Total equity \$
Consolidated					
Balance at 1 July 2012	5,893,325	456,174	(201,085)	(1,417,921)	4,730,493
Loss after income tax expense for the half-year	-	-	-	(971,803)	(971,803)
Other comprehensive income for the half-year, net of tax	-	-	16,083	-	16,083
Total comprehensive income for the half-year	-	-	16,083	(971,803)	(955,720)
Balance at 31 December 2012	<u>5,893,325</u>	<u>456,174</u>	<u>(185,002)</u>	<u>(2,389,724)</u>	<u>3,774,773</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Baru Resources Limited
Statement of cash flows
For the half-year ended 31 December 2012

	Consolidated	
	31	31
Note	December	December
	2012	2011
	\$	\$
Cash flows from operating activities		
Payments to suppliers (inclusive of GST)	(542,588)	(661,887)
Interest received	172,446	70,875
Other revenue	3,965	-
	<u>(366,177)</u>	<u>(591,012)</u>
Cash flows from investing activities		
Payments for investments	(1,273,995)	(296,439)
Payments for property, plant and equipment	(1,921)	-
Payments for exploration and evaluation	6 (116,599)	(57,105)
Loans to other entities	(59,392)	-
Proceeds from sale of investments	938,215	-
	<u>(513,692)</u>	<u>(353,544)</u>
Cash flows from financing activities		
Proceeds from issue of shares	-	5,939,200
Capital raising costs	-	(463,980)
	<u>-</u>	<u>5,475,220</u>
Net cash from financing activities		
Net increase/(decrease) in cash and cash equivalents	(879,869)	4,530,664
Cash and cash equivalents at the beginning of the financial half-year	<u>2,778,643</u>	<u>140,151</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>1,898,774</u></u>	<u><u>4,670,815</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Baru Resources Limited
Notes to the financial statements
31 December 2012

Note 1. General information

The financial report covers Baru Resources Limited as a consolidated entity consisting of Baru Resources Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Baru Resources Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Baru Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4
100 Albert Road
South Melbourne VIC 3205

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 1 March 2013. The directors have the power to amend and reissue the financial report.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2012 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Going concern

During the period ended 31 December 2012, the company incurred a loss of \$971,803. The directors believe the company has sufficient funds to carry out exploration activities as planned and meet the debts of the company as and when they are due and payable in the 12 months from the date of this report. Accordingly, the Directors are of the opinion that the going concern basis is appropriate for the preparation of the half year financial statements for the period ended 31 December 2012.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Baru Resources Limited
Notes to the financial statements
31 December 2012

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into one operating segments being exploration for coal in Australia. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Note 4. Other income

	Consolidated	
	31	31
	December	December
	2012	2011
	\$	\$
Net foreign exchange gain	20	-
Net fair value gain on available-for-sale financial assets	37,127	-
Subsidies and grants	3,965	-
	<u>41,112</u>	<u>-</u>
Other income	<u>41,112</u>	<u>-</u>

Gains on available-for-sale financial assets are realised gains transferred out of the Available-for-sale asset revaluation reserve.

Note 5. Current assets - available-for-sale financial assets

	Consolidated	
	31	30 June
	December	2012
	2012	2012
	\$	\$
Shares in listed entities	856,795	467,805
	<u>856,795</u>	<u>467,805</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current financial half-year are set out below:

Opening fair value	467,805	-
Additions	1,273,995	754,482
Disposals	(901,088)	(85,592)
Revaluation increments	16,083	
Revaluation decrements	-	(201,085)
	<u>856,795</u>	<u>467,805</u>
Closing fair value	<u>856,795</u>	<u>467,805</u>

Baru Resources Limited
Notes to the financial statements
31 December 2012

Note 6. Non-current assets - exploration and evaluation

	Consolidated	
	31	
	December	30 June
	2012	2012
	\$	\$
Exploration and evaluation	259,719	855,531
	<u>259,719</u>	<u>855,531</u>
	<u>259,719</u>	<u>855,531</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out

	Exploration & Evaluation	Total
	\$	\$
Consolidated		
Balance at 1 July 2012	855,531	855,531
Expenditure during the half-year	116,599	116,599
Write off of assets	<u>(712,411)</u>	<u>(712,411)</u>
Balance at 31 December 2012	<u>259,719</u>	<u>259,719</u>

During the half year period, the Company relinquished six Exploration Permit for Coal in the West Galilee Project out of the seven Permits held. As a result of this relinquishment, the initial investment amounts and subsequent exploration costs incurred amounting to \$712,411 for these six licences has been written off.

Note 7. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 8. Contingent liabilities

The consolidated entity had no contingent liabilities at 31 December 2012.

Note 9. Commitments

In order to maintain current rights of tenure to exploration tenements, the Company and economic entity is required to outlay rentals and to meet the minimum expenditure requirements of the State Mines Departments. Minimum expenditure commitments may be subject to renegotiation and with approval may otherwise be avoided by sale, farm out or relinquishment.

The current commitments for the Company include \$240,000 for the remaining West Galilee Exploration Permit for Coal and \$145,600 for the Longreach Exploration Permit for Coal each year up until 21 October 2017.

Baru Resources Limited
Notes to the financial statements
31 December 2012

Note 10. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name of entity	Country of incorporation	Equity holding	
		31 December 2012	30 June 2012
		%	%
Baru Resources Pte Ltd	Singapore	100.00	100.00
West Galilee Exploration Pty Ltd	Australia	100.00	100.00

Note 11. Events after the reporting period

On 21 February 2013, the Company entered into an agreement to acquire 100% of the issued capital in Horizon Mines Limited which has 5 mineral exploration tenement applications in Myanmar. These primarily target porphyry copper/gold mineralisation as well as potential smaller, higher grade epithermal and sediment hosted gold deposits. Within the permit applications there are old mines noted.

No other matter or circumstance has arisen since 31 December 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Baru Resources Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



Kevin Nichol
Managing Director

1 March 2013
Melbourne

**BARU RESOURCES LIMITED
ACN 147 324 847
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT TO
THE MEMBERS OF BARU RESOURCES LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Baru Resources Limited which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

The directors of Baru Resources Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 Auditing Standard on Review Engagements ASRE 2410: Review of an Interim and other Financial Reports 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 Baru Resources Limited's financial position as at 31 December 2012 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Baru Resources Limited, 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 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 have complied with the independence requirements of the Corporations Act 2001.

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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 Baru Resources Limited is not in accordance with the Corporations Act 2001 including:

- a. giving a true and fair view of Baru Resources Limited's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b. complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

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Drew Townsend
Partner

Date: 1 March 2013