



Baru Resources Limited

ACN 147 324 847 ABN 50 147 324 847
Level 4, 100 Albert Road, South Melbourne, VIC 3205

Phone: (03) 9692 7222

Fax: (03) 9077 9233

Email : generaladmin@baru.com.au

Website: www.baru.com.au

14 September 2012

SEPTEMBER 2012 MARKET UPDATE

Board of Directors

Peter Avery (Chairman)

Kevin Nichol (Executive Director)

Andrew bald (Non-executive Director)

Chief Executive Officer

Matt Bull

Company Secretary

Melanie Leydin

Securities on Issue:

BAC: 49,796,009 ordinary shares

BACO: 42,898,005 20c listed options

Market Capitalisation as at 13 September 2012:

\$3,734,700

Baru Resources Ltd (ASX: BAC and BACO) wishes to provide an update on their current activities.

BAC's portfolio of existing Queensland coal exploration projects include the Galilee Project, West Galilee Project and Longreach Project which cover approximately 20,000km² over two thermal coal basins the Galilee Basin and the Eromanga Basins.

The Longreach Project (LP) is prospective for open cut mining methods. The project is along strike from three large tonnage deposits recently outlined south of the project area. It is expected that the coal seams will occur close to the surface from 20-200m depth and as a result will be a primary exploration target

The West Galilee Project (WGP) is prospective for both open cut thermal coal resources and underground coal gasification (UCG) at depth. Drilling to the east of the project has identified a series of large tonnage thermal coal deposits within the Betts Creek Beds. A seismic program to define the areas where these seams occur closer to the surface is currently being advanced.

The Galilee Project (GP) is contiguous to the Longreach Project but is to the east of the Winton Formation. The Galilee Basin occurs at depth throughout the project area and recent coal seam gas drilling by Exoma Energy Limited (ASX: EXE) has confirmed thick coal seams occur throughout the project area which are considered prospective for UCG.

The price of commodities has fallen over the course of 2012, including the price of all types of coal.

Due to the high capital cost associated with underground mining and UCG projects and in light of the capital market conditions, BAC will prioritise short term exploration expenditure to the LP.

To mitigate the risks and dilutive impact of further capital raisings, BAC which now owns 100% of all projects is now investigating possible Joint Venture Partners (JVP) for these projects.



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The Company's continued objective is to subsidise the cost of drilling by associating itself with a JVP. The Company is now in the process of updating the geological reports covering the potential of these project areas.

These reports will be released to the market as they become available and full background information will be posted on our website www.baru.com.au.

The Longreach Project (LP)

The LP offers the Company's the highest priority large tonnage shallow exploration target. An announcement has been released delineating the potential and a drilling program can be supported by our balance sheet. This project area was pegged by the Company after listing and has enabled the Company to acquire a large tenement package just before the government placed a moratorium on new coal applications. The application process is now done via a competitive tender process.

The tenements are now expected to be granted later this year, and work reviewing the available seismic data to prioritise drilling targets has now begun. Once the location of the first round of drilling is finalised the relevant landholder agreements will be progressed to allow drilling to commence.

Other Projects

The Company is also currently assessing several projects that are at a scale that the balance sheet will be able to develop and show potential to be cash flow positive within a shorter than expected period.

The objective of the board is to try to avoid any capital raising while markets are pressured. I know that the board is perceived as acting slowly, however, we have avoided big mistakes and have looked at all new projects on a risk return basis. There have been many high potential/high return projects with many potentially positive aspects falling by the wayside for a variety of reasons. Our due diligence has been extensive using personnel currently within the Company doing most of the investigative work.

Administration

The Company has put in place administration savings of over \$120,000 p.a. Further savings are occurring and within the next 2 months, yearly administrative cost savings will be over \$300,000 p.a. Further cost savings are being discussed as an ongoing responsibility to shareholders.

All enquires are directed to our Melbourne office or call 03 9692 7222.

For further information:

Kevin Nichol
Executive Director

Email: kevin@baru.com.au