



ACN 147 324 847



PROSPECTUS 2011

For the offer of up to 30,000,000 Shares at an issue price of 20 cents each to raise up to \$6,000,000. This Prospectus is an important document and should be read in its entirety. You should consult your financial advisor before subscribing for Shares under this Prospectus.

**THE SECURITIES OFFERED BY THIS PROSPECTUS
SHOULD BE CONSIDERED AS A SPECULATIVE
INVESTMENT**

Sponsor to the Issue:

hk Securities

ABN 18 126 862 057
AFSL 320533

www.baru.com.au

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Rick Anthon (Non Executive Chairman)

Kevin Nichol (Executive Director)

Peter Avery (Non Executive Director)

Company Secretary

Melanie Leydin

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Contents

Directory	i
1. Important Information	01
2. Letter from the Chairman	04
3. Offer Details	05
4. Company Overview	12
5. Directors and Management	16
6. Risk Factors	19
7. Independent Accountant's Report	29
8. Independent Geologist's Report	42
9. Legal Tenements Report	91
10. Additional Information	113
11. Glossary	129

1. Important Information

Lodgement and Listing

This Prospectus is dated 3 August 2011 and was lodged with ASIC on that day. Neither ASIC nor ASX take responsibility for the contents of this Prospectus. No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. The fact that the ASX may admit the Company to its Official List is not to be taken in any way as an indication of the merits of the Company or the Shares offered under this Prospectus. Application will be made within seven days after the date of this Prospectus for the Shares offered pursuant to this Prospectus to be listed and quoted on ASX.

Document should be read in its entirety

This document is important and should be read in its entirety. Your investment decision in relation to this Issue should be based upon the information contained in this Prospectus and disclosures made to the market by the Company. If in doubt, you should consult your stockbroker, solicitor or accountant or other professional advisor without delay. Neither the Company nor any of its Directors or any other party associated with the preparation of this Prospectus guarantee that any specific objective of the Company will be achieved or that any particular performance of the Company or of its Shares (including the Shares offered by this Prospectus) will be achieved.

Exposure Period

In accordance with Chapter 6D of the Act, the Prospectus is subject to an exposure period of seven days from the date of lodgement of the Prospectus with the ASIC. This exposure period may be extended by the ASIC for a further seven days. The purpose of the exposure period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Potential investors should be aware that such examination may result in the identification of deficiencies in the Prospectus and, in those circumstances, any Application and subscription money that has been received will be dealt with in accordance with Section 724 of the Corporations Act. Any Applications received prior to the expiration of the exposure period will not be processed until after the expiration of the exposure period. No preference will be conferred on Applications received during the exposure period.

Electronic Form Prospectus

This Prospectus is available in electronic form at the Company's website at www.baru.com.au and in paper form by contacting the Company on 03 9692 7222 or by email on kevin@baru.com.au. A paper

copy of the Prospectus will be sent free of charge to a potential investor on request during the period of the Offer. The Offer is available to persons receiving an electronic version of this Prospectus in Australia. Applications can only be submitted on an Application Form accompanying this Prospectus or in its paper form downloaded in its entirety from www.baru.com.au. The Corporations Act prohibits the passing on of the Application Form to another person unless it is attached to or is accompanied by a complete and unaltered version of this Prospectus.

Jurisdiction

This Prospectus, whether in electronic or paper form, does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would not be lawful to make such an offer. Access to this Prospectus by persons outside of Australia is not permitted. Any recipient of this Prospectus residing outside Australia should consult their professional advisors on requisite compliance requirements. It is the responsibility of any overseas Applicant to ensure compliance with all laws of any country relevant to their Application. No action has been taken to register or qualify the Shares or the Offer, or otherwise in any jurisdiction outside Australia.

Specific risks as an exploration company

Applicants should carefully consider the risk factors that affect the Company and the resource, mining and exploration industry in which it operates. Applicants should note that coal exploration is a high risk endeavour and that the Company has no “track record” or operating history.

APPLICANTS SHOULD UNDERSTAND THAT EXPLORATION AND MINING DEVELOPMENT IS BOTH SPECULATIVE AND SUBJECT TO A WIDE RANGE OF RISKS AND THAT, EVEN IF THE COMPANY MAKES A COMMERCIAL DISCOVERY, APPLICANTS MAY LOSE THE ENTIRE VALUE OF THEIR INVESTMENT.

Details of the risk factors of which investors should be aware are described in more detail in Section 6 of this Prospectus

Suitability of investment and general risk factors

This Prospectus contains information to help investors decide whether they want to invest in the Company. Before deciding to invest in the Company, potential investors should read the entire Prospectus, and in particular the technical information and the risk factors that could affect the further activities and operations of the Company. The Offer contained in this Prospectus does not take into account the investment objectives, financial situation and particular needs of the investor. Please read

the Application Form carefully. Professional advice should be sought before deciding to invest in any securities which are the subject of this Prospectus

Forward Looking Statements

Various statements in this Prospectus could constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or implicitly portrayed in this Prospectus.

Photographs

Unless otherwise stated, assets and property portrayed in photographs in this Prospectus are not owned by the Company.

Exploration Targets

All statements as to exploration targets and statements as to potential quantity and quality specifications made in this Prospectus are conceptual in nature. There has been insufficient exploration undertaken to date to define a coal resource and it is uncertain if further exploration will result in the determination of an economically viable coal resource.

Disclaimer

No person is authorised to give any information or to make any representation in connection with this Issue, which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Company in connection with this Issue. 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.

2. Letter from the Chairman

Dear Investor,

It is with pleasure that I invite you to become a shareholder of Baru Resources Limited. The Company offers investors an exciting opportunity to invest in the future exploration and potential development of coal exploration permits in Queensland.

Baru Resources has an interest in seven tenements, identified as the West Galilee Project within the Hughenden-Winton locality where the economic viability of both coking and thermal coals will be explored.

Our exploration programme will initially prioritise potential open pit deposits within the Eromanga Basin (known to contain economically exploitable coal seams of thermal coal). The project area is large and relatively close to infrastructure, where developmental resources are available for the development of coal mining operations given commercial quantities of coal are identified.

The Company is very focused on undertaking its first drilling programme as quickly as possible and is targeting JORC compliant resources in its first year of exploration. We believe this focus and a cost conscious approach should provide the best opportunity to both identify deposits and to increase shareholder value.

Both the demand and the price of coking and thermal coal has increased dramatically in the last ten years, especially the last few years driven by Chinese and Indian demand.

My Board and I look forward to welcoming you as a shareholder.

Yours faithfully



Rick Anthon

Chairman

3. Offer Details

3.1 The Offer

Baru Resources is offering Shares for subscription at a price of 20 cents per Share. The Company seeks to raise up to \$6,000,000 through the issue of up to 30,000,000 Shares.

3.2 Minimum (\$4,000,000) and Maximum (\$6,000,000) Subscriptions

The Minimum Subscription is 20,000,000 Shares to raise \$4,000,000. The Company must also have a minimum of 400 non-related shareholders holding a parcel of not less than 10,000 Shares each.

If the Minimum Subscription and the minimum number of shareholders are both not reached within four months of the date of this Prospectus, the Directors will either repay the Application Monies to Applicants or issue a supplementary or replacement Prospectus and allow Applicants one month to withdraw their application and to be repaid their Application Monies. Interest will not be paid on monies refunded.

In the event that the Issue is oversubscribed, Applicants are likely to be issued with a lesser number of Shares than that applied for. The allocation policy to be adopted in that circumstance shall be at the discretion of the Directors. Applicants not receiving their full number of Shares applied for should receive a refund in respect of the amount attributed to unissued Shares applied for within one month of the Closing Date.

The Directors nevertheless reserve the right not to issue anymore Shares having regard to the possibility of sufficient Applications and funds being received before the nominated Closing Date.

3.3 Key Dates*

Date of Prospectus	3 August 2011
Applications Open	11 August 2011
Closing Date	8 September 2011
Allotment Date	12 September 2011
Dispatch of holding statements	16 September 2011
Trading commences on ASX	22 September 2011

* These dates are indicative only and may be subject to change, subject to the provisions of the Corporations Act and the Listing Rules, without notice. The Directors may extend the period of the Offer or bring forward the Closing Date at their discretion.

3.4 Capital Structure

Summary of Capital Structure	No. Shares Minimum Subscription	% Total Minimum Subscription	No. Shares Maximum Subscription	% Total Maximum Subscription
Capital Structure				
Founder Shares (*See Note 1) issued as at the date of this prospectus	12,500,009	31.1%	12,500,009	25%
Seed Shares (*See Note 2) issued as at the date of this prospectus	7,600,000	19%	7,600,000	15.2%
Shares to be issued pursuant to this Prospectus	20,000,000	49.9%	30,000,000	59.8%
Total shares on issue	40,100,009	100%	50,100,009	100%

*Note 1: These Shares consist of 12,500,000 Shares issued at 0.01 cent per Share, and 9 Shares issued at \$1.00 per Share.

*Note 2: These Shares consist of 7,600,000 Seed Shares issued at 5 cents per Share.

3.5 Purpose of the Offer and use of funds

The purpose of the Offer is to provide the Company with sufficient funds to enable it to carry out its exploration programmes, related technical studies, provide finance for the possible acquisition of other mineral properties to cover the costs of the Issue, and to provide working capital.

The proposed application of funds for the 2 years from the expected date of listing is as follows:

Available Funds	Minimum Subscription	Maximum Subscription
Cash as at date of Prospectus	\$125,000	\$125,000
Total raised in the Offer	\$4,000,000	\$6,000,000
Total Available Funds	\$4,125,000	\$6,125,000
Use of Funds	Minimum Subscription	Maximum Subscription
Exploration program	\$1,950,000*	\$3,100,000**
Expenses of the Issue	\$410,000	\$530,000
Corporate Finance and Administration	\$1,300,000	\$1,300,000
Working capital	\$465,000	\$1,195,000
Total Funds Applied	\$4,125,000	\$6,125,000

*The Directors have added a contingency factor of \$190,000 over and above the Independent Geologist's budgeted expenditure costs for the first 2 years from the expected date of listing.

**The Directors have added a contingency factor of \$50,000 over and above the Independent Geologist's budgeted expenditure costs for the first 2 years from the expected date of listing.

The amounts shown above are exclusive of any applicable GST.

The use of funds is contingent upon favourable progressive results of exploration and associated technical studies. Management reserves the right to change the allocation of funds as circumstances dictate.

Following completion of the Minimum Subscription, the Directors are satisfied that the Company will have adequate working capital to carry out its stated objectives including the funding of the following major budget items:

- Exploration of mining tenements as described in this Prospectus. This will occur in a number of phases with each programme dependent on the results of the previous one.
- Capital expenditure payments pursuant to the JV Agreement (key terms of the applicable agreement is contained in Section 10 of the Prospectus).
- Corporate administration costs.

3.6 Dividend Policy

The Company does not yet have a dividend policy. The Company has no immediate intention to declare or distribute dividends. Payment of future dividends will depend upon the future profitability and financial position of the Company. This is only likely to occur if and when the Company successfully emerges from its exploration phase.

3.7 Risk Factors

Investment in Shares under this Prospectus should be considered as speculative because of the inherent risks in mineral exploration. There are also inherent risks in the delineation of mineral reserves and in mineral production. A summary of the risk factors that face the Company are set out in Section 6 of this Prospectus. Potential investors should read this Prospectus in full having regard to their personal circumstances (including financial and taxation affairs) and where necessary, consult their stockbroker, accountant or independent financial advisor if they require further information on the risks associated with investing in the Company, before submitting an Application Form.

3.8 How to apply

If you wish to subscribe for Shares you may either:

- complete and return the Application Form which is attached to a paper copy of this Prospectus;
or
- print a copy of the online Prospectus and complete and return a copy of the Application Form.

Instructions for completing the Application Form are set out on the reverse of the Application Form. Shares will only be issued on receipt of an Application Form issued together with this Prospectus (whether in paper or electronic form).

The minimum application is for 10,000 Shares paid to 20 cents (\$2,000) and thereafter in multiples of 1000 Shares (\$200). Applications must be accompanied by payment in Australian currency of 20 cents for each Share. Cheques should be made payable to “Baru Resources Ltd – Share Offer Account” and crossed “Not Negotiable”. No brokerage or stamp duty is payable by Applicants.

Completed Application Forms and accompanying cheques (where applicable) should be delivered or posted to:

Baru Resources Limited Share Issue

c/- Baru Resources Limited
Suite 304, 22 St Kilda Road
St Kilda VIC 3182

and must be received at the above address by 5.00 pm (Sydney Time) on the Closing Date.

3.9 Allotment

The Company reserves the right to allocate the Shares in full on any Application or to allocate any lesser number of Shares applied for or reject any Application. The Company has discretion with respect to the acceptance of Applications and the allocation of Shares and reserves the right to allocate each Applicant a lesser number of Shares than the number for which the Applicant applies. If the number of Shares allocated is less than the number applied for, the surplus application money will be refunded to the applicant without interest. Holding statements will be dispatched as soon as possible after allotment. It is the responsibility of Applicants to confirm the number of Shares allotted to them prior to trading in the Shares. Applicants who sell Shares before they receive notification of the number of Shares allocated to them do so at their own risk.

3.10 Underwriting

The Offer contained in this Prospectus is not underwritten.

3.11 ASX Listing

Application will be made to ASX within 7 days of the date of the Prospectus for the Company to be admitted to the Official List of ASX and for Quotation of the Shares issued pursuant to the terms of this Prospectus, together with Shares already on issue. If the Company is admitted to the Official List of the ASX, it is anticipated the Shares will trade under the ASX code BAC. If an application for admission of the Shares to quotation is not made within 7 days of the date of this Prospectus or the Shares are not admitted to quotation within the time specified in Section 723(3) of the Corporations Act, all application monies under this Offer will be refunded without interest in accordance with the Corporations Act. ASX accepts no responsibility for the contents of the Prospectus or the investment to which it relates. The fact that ASX may admit the Company to its Official List is not to be taken in any way as an indication of the merits of the Company.

3.12 Chess

The Company will apply to ASX to participate in the Clearing House Electronic Subregister System (CHESS). Accordingly, Share certificates will not be provided to successful applicants. Following allotment, the Company will provide Shareholders with holding statements that set out the number of Shares allotted to each successful applicant in accordance with this Prospectus. That notice will also advise Shareholders of their holder identification number and sponsoring issuer number. An explanation of sale and purchase procedures under CHESS will accompany the notice. If there is a change in Share holdings during a month, the relevant Shareholder will receive a statement to that effect at the end of that month. That person may also require the Company to provide a statement at other times subject to payment of an administration fee.

3.13 Overseas Distribution

The distribution of the Prospectus outside the Commonwealth of Australia may be restricted by law. Consequently, all persons who receive the Prospectus must inform themselves of all applicable laws and observe any such restrictions. The failure to comply with any applicable restrictions may constitute a violation of securities laws. This Prospectus is not intended to, and does not, constitute an offer of securities in any place in which, or to any person to whom, the making of such an offer would not be lawful under the laws of any jurisdiction outside Australia.

3.14 Restricted Securities

Existing Shares of the Company may be subject to various escrow conditions imposed by ASX. The Company anticipates that the Seed Shares and Founder Shares will be escrowed for periods as may be

prescribed by ASX under its Listing Rules. The holders of Existing Shares will be required to enter into restriction agreements to satisfy ASX requirements before the Company is admitted to the Official List of ASX.

Except as otherwise disclosed in this Prospectus, none of the Shares to be issued under the Offer pursuant to this Prospectus will be restricted securities.

3.15 Withdrawal

The Directors may at any time decide to withdraw this Prospectus and the Offer, in which case Baru Resources will return all Application monies received without interest within 21 days of giving notice of its withdrawal.

3.16 Privacy Matters

If investors complete an Application Form, investors will be providing personal information to the Company (directly or to the Company's share registry). The Company collects, holds and will use that information to assess an investor's application and for corporate communications to an investor as a shareholder and to carry out administration.

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

By submitting an Application Form, each Applicant agrees that the Company may use and disclose the information contained in the Application Form for purposes set out in this Prospectus.

Shareholders can access, correct and update the personal information that the Company holds about shareholders. Shareholders may contact the Company or its Share Registry if shareholders wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information are governed by legislation including the *Privacy Act 1998 (Cth)* as amended. Investors should note that if investors do not provide the information required on the Application Form, the Company may not be able to accept or process an application.

3.17 Financial Forecasts

The Company is a very early stage exploration company. Given the speculative nature of exploration, mineral development and production, there are significant uncertainties associated with forecasting future revenues. On this basis, the Directors believe that reliable financial forecasts cannot be prepared and accordingly have not included forecasts in this Prospectus.

3.18 Taxation

The Australian taxation consequences of any investment in Shares will depend upon the Applicant's particular circumstances. It is the obligation of potential investors to make their own enquiries concerning the taxation consequences of an investment in the Company. If you have any questions about the taxation consequences of an investment in the Company, please contact your stockbroker, accountant or independent financial advisor.

3.19 Arrangements with Sponsoring Broker and Others

The Company has appointed HK Securities Pty Ltd to act as sponsor to the Issue. HK Securities Pty Ltd will be paid fees in relation to the Offer in accordance with the Mandate summarised in Section 10 of this Prospectus. Pursuant to the terms of its engagement, HK Securities Pty Ltd is required to support the Company in relation to the Issue, and provide its consent to being named in the Prospectus as sponsor to the Issue.

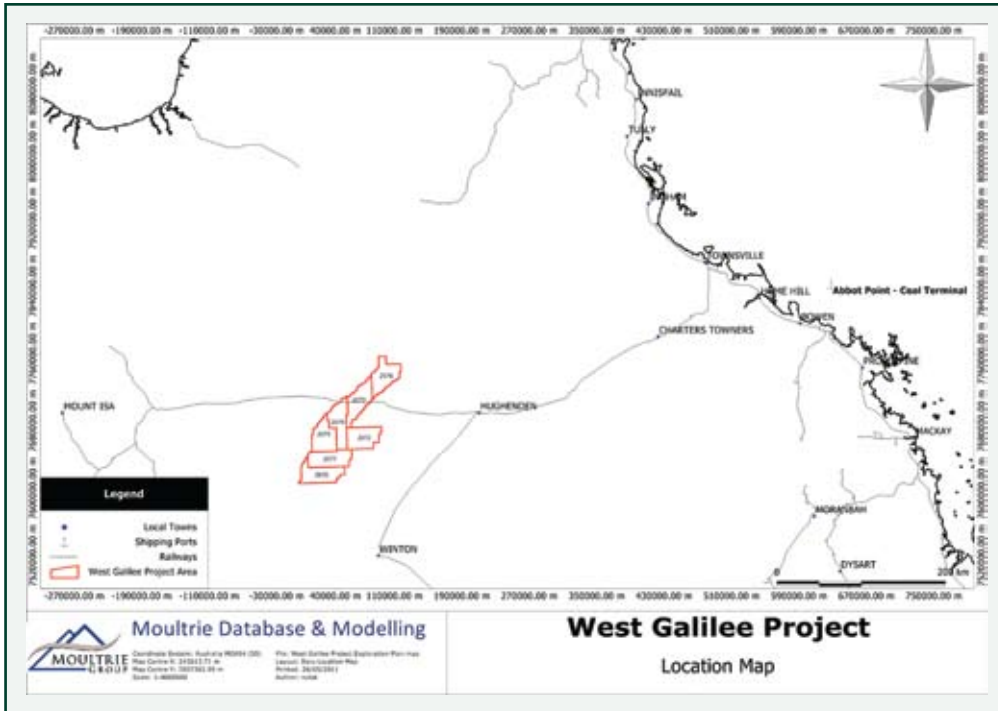
All brokers and licensed intermediaries submitting a valid and accepted client Application for Shares, where the Application bears the brokers stamp or the name and Australian Financial Services Licence number of the intermediary, shall be entitled (after the successful raising of funds) to receive a commission of 5% of the subscription amount paid by the client on that Application.

3.20 Investor Enquiries

Additional copies of the Prospectus or further advice on how to complete the Application Form can be obtained by emailing kevin@baru.com.au or visiting the website for the Company at www.baru.com.au.

4. Company Overview

Introduction



Baru Resources is an Australian public company that is focussed on the identification and development of export hard coking coal and export thermal coal projects.

The Company's project area is described as The

West Galilee Project in the Eromanga Basin within 200kms of Hughenden and within 375 kms of Mount Isa in Queensland and intersecting the main railway line that runs to the port, as shown on the map above.

Baru Resources beneficially holds an interest in seven coal exploration tenures including six EPC's (Exploration Permits for Coal) and one EPCA (Exploration Permit for Coal Application) as shown below.

Tenure	Status	Date Lodged	Date Granted	Date Expires	Principal Holder	No. of Subblocks
EPC2072	Granted	04-Mar-10	29-Mar-11	28-Mar-13	West Galilee Exploration Pty Ltd	300
EPC2073	Granted	04-Mar-10	29-Mar-11	28-Mar-13	West Galilee Exploration Pty Ltd	300
EPC2074	Granted	04-Mar-10	29-Mar-11	28-Mar-13	West Galilee Exploration Pty Ltd	300
EPCA2075	Application	04-Mar-10	N/A	N/A	West Galilee Exploration Pty Ltd	300
EPC2076	Granted	04-Mar-10	29-Mar-11	28-Mar-13	West Galilee Exploration Pty Ltd	300
EPC2077	Granted	04-Mar-10	29-Mar-11	28-Mar-13	West Galilee Exploration Pty Ltd	300
EPC2078	Granted	04-Mar-10	29-Mar-11	28-Mar-13	West Galilee Exploration Pty Ltd	300

4.1 Corporate Objectives

The key objective of Baru Resources is to create wealth for its shareholders by identifying and developing commercially viable coal deposits.

Baru Resources aims to:

- (i) Aggressively assess and explore the tenements in the West Galilee Project;
- (ii) Seek to establish initial resources to the JORC Standard on the project as quickly as possible;
- (iii) Expand its resource base over the medium term;
- (iv) Where appropriate acquire additional coal assets complimentary to the West Galilee Project;
- (v) Develop projects through to commercial production; and
- (vi) Seek to inject new projects into the Company including coal and non coal mineral assets.

4.2 Exploration Programme and Budget

The Company will fund its exploration programme from the proceeds of the Offer. A summary of the proposed exploration budget expenditure for the first 2 years of the Company's operations is as follows:

Year 1 - Based on Minimum Subscription or Maximum Subscription being achieved

Year	EPC	Type of Drilling	Quantity	Cost	Subtotal
Year 1	EPC 2078	Rotary Chip	3	\$25,000	\$75,000
	EPCA 2075	Rotary Chip	3	\$25,000	\$75,000
	EPC 2076	Rotary Chip	2	\$45,000	\$90,000
	EPC 2073	Rotary Chip	1	\$100,000	\$100,000
	EPC 2074	Rotary Chip	1	\$100,000	\$100,000
	All	Contractor Expenses	4	\$50,000	\$200,000
	All	Mapping and Surveying	4	\$15,000	\$60,000
	All	Downhole Geophysical Logging	4	\$50,000	\$200,000
	All	Reporting and Miscellaneous	4	\$10,000	\$40,000
Total					\$940,000

Year 2 - Assuming Minimum Subscription Achieved (or funds in excess of Minimum Subscription)

Year	EPC	Type of Drilling	Quantity	Cost	Subtotal
Year 2	EPC 2078	Rotary Chip	2	\$25,000	\$50,000
	EPCA 2075	Rotary Chip	1	\$25,000	\$25,000
	EPC 2076	Rotary Chip	1	\$25,000	\$25,000
	EPC 2074	Partially Cored	1	\$100,000	\$100,000
	EPC 2072	Partially Cored	1	\$100,000	\$100,000
	EPC 2077	Partially Cored	1	\$100,000	\$100,000
	All	Contractor Expenses	4	\$40,000	\$160,000
	All	Mapping and Surveying	4	\$10,000	\$40,000
	All	Downhole Geophysical Logging	4	\$45,000	\$180,000
	All	Reporting and Miscellaneous	4	\$10,000	\$40,000
Total					\$820,000

Year 2 - Assuming Maximum Subscription Achieved

Year	EPC	Type of Drilling	Quantity	Cost	Subtotal
Year 2	EPC 2078	Rotary Chip	5	\$25,000	\$50,000
	EPC 2075	Rotary Chip	5	\$25,000	\$25,000
	EPC 2076	Rotary Chip	5	\$40,000	\$25,000
	EPC 2073	Partially Cored	2	\$100,000	\$200,000
	EPC 2074	Partially Cored	2	\$100,000	\$200,000
	EPC 2072	Partially Cored	3	\$100,000	\$300,000
	EPC 2077	Partially Cored	3	\$100,000	\$300,000
	All	Contractor Expenses	4	\$70,000	\$280,000
	All	Mapping and Surveying	4	\$15,000	\$60,000
	All	Downhole Geophysical Logging	4	\$70,000	\$280,000
	All	Reporting and Miscellaneous	4	\$10,000	\$40,000
Total					\$2,110,000

In the event the Company receives money in excess of the Minimum Subscription (but less than the Maximum Subscription), those funds will be retained as working capital and may in the discretion of the Directors be applied towards further drilling programmes within the Tenements or for the acquisition of new projects. The proposed budget will be subject to ongoing review and amendment depending on results obtained and other market factors.

Future Exploration

Further drilling in these Tenements would be required, including a 2D seismic program and a 200mm large diameter coal quality testing program for coal processing simulations.

Details of the West Galilee Project

- Location: Between Mt Isa and Hughenden and north-west of Winton in Queensland.
- Target: Hard coking coal and thermal coal.
- EPCs: 2072, 2073, 2074, 2076, 2077, 2078 and EPCA 2075
- Area: Approximately 7,140km²

The West Galilee project is initially targeting coal deposits located in the Eromanga Basin. The Company is seeking to establish a low ash, high energy quality, coking coal project as a priority as well as pursuing a large quantity thermal coal target.

The primary focus will be on EPC's 2078 and EPCA 2075 which will be explored with the objective to prove up an initial open cut mineable resource of high quality coking coal.

Whilst the immediate area around The West Galilee Project has not been historically mined for coal, the area remains relatively unexplored in terms of finding coal deposits. The Eromanga Basin is known to contain economically exploitable coal seams of thermal coal. Evidence of the presence of thermal coal has been uncovered on EPC's 2076, 2077 and 2078. Additionally, EPCA 2075 covers the Millungera Basin and the Galilee Basin which has various geological features encouraging the company that exploratory drilling on this permit would be one of our priorities.

The Company hopes to attract sufficient funding:

1. To explore (by drilling) EPC's 2076, 2077 and 2078; and
2. To drill first pass rotary chip holes on EPCA 2075.

The Company's drilling programme in Queensland is planned to extend over the first two years commencing from the Company's ASX listing and quotation date.

5. Directors and Management

5.1 Baru Resources Limited and its Board

The Company has assembled a highly experienced Board with Directors having significant board experience with listed resource companies.

The Board is responsible for the corporate governance of the Company, including its strategic development. The Board comprises three members, one of which will have executive and management function. The Board is responsible for setting corporate strategy. It establishes goals for management and monitors performance against these goals.

5.2 Profile of Directors, Company Secretary and CEO

Rick Anthon – Non-Executive Chairman

BA LLB MAICD

Mr Anthon is the managing partner of Hemming+Hart Lawyers, a commercial and corporate focused CBD law firm in Brisbane. Mr Anthon has practised extensively in the corporate and mining law area for more than 15 years including having worked in-house for listed mining companies. He has acted as company secretary for listed companies and has been a director of a number of listed companies since 1996. He regularly advises on a range of corporate and mining related matters including venture capital raising, public listings, mergers and acquisitions, titles and tenure, native title issues, project finance, construction and development. Mr Anthon holds a Bachelor of Laws and is also a member of the Australian Institute of Company Directors.

Kevin Nichol – Executive Director

B.Comm (Hons) CFA

After finishing his honours thesis in the energy sector, Kevin worked as a financial analyst for the late Kerry Packer's private company, Consolidated Press Holdings Pty Ltd (now Consolidated Media Ltd). In the mid 80s he joined Norths Stockbrokers, where he learnt his trade in the marketplace as an advisor. Kevin also spent several years on the trading floor of the Sydney Futures Exchange and traded commodities as well as interest-rate futures for several banking houses.

In recent times, Kevin has been involved in raising funds for several mining floats, as well as associated corporate advisory roles in other listed companies. In October 2008 he left his latest role as founding Managing Director of listed Bowen Energy Ltd and has concentrated on companies involved in the

mining industry. Most recently in 2009 Kevin, as Chairman, was instrumental in the listing of Victorian Gold Mines NL (now Celamin Holdings NL) on the ASX. Kevin continues to be the Chairman of Celamin Holdings NL.

Kevin has been involved in corporate, institutional and private client advisory roles as well as research for several broking and investment houses during the past 25 years. He is widely experienced in the equities market with substantial capital raising experience, in particular in the resource sector. He brings to the Board many years of market knowledge.

Peter Avery – Non-Executive Director

Peter Avery has over 20 years professional experience within the stockbroking industry. During the previous 10 years, Peter has held a senior role as a private client advisor at Perth broking firm, DJ Carmichael (DJC). Prior to joining DJC, Peter developed specialist skills as an equity advisor at Todd Partners managing client portfolios.

Peter is currently a director of Celamin Holdings NL.

Peter's industry experience includes extensive capital raisings within the resource and mining sectors and he holds a Diploma of Financial Planning from Deakin University.

Melanie Leydin - Company Secretary

B.Bus (Acc), CA

Ms Leydin is a Chartered Accountant and a Registered Company Auditor.

She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer.

In the course of her practice she audits listed and unlisted public companies involved in the resources industry. Her practice also involves outsourced company secretarial and accounting services to public companies in the resources sector. This involves preparation of statutory financial statements, annual reports, half year reports, stock exchange announcements and quarterly ASX reporting and other statutory requirements.

Ms Leydin has 19 years experience in the accounting profession and is a director and company secretary for a number of oil and gas, junior mining and exploration entities listed on the Australian Stock Exchange.

Matthew Bull - Chief Executive Officer

BSc. (Hons)

After completing an honours thesis on the Olympic Dam copper gold province in South Australia Mr Bull worked for Sons of Gwalia at its Wodgina Tantalum Mine as a mine geologist. He then worked on the Rio Tinto Iron Ore Expansion Projects where he was involved in extensive resource definition drilling programmes at the Hope Downs and Brockman 4 Iron deposits, which are both now operating mines. Over the last 5 years he has been a senior geologist at Golden West Resources where he was involved in exploration and development of shear zone hosted gold deposits and advancing the company's flagship Iron ore project from a greenfield exploration target to an advanced Iron ore project in the Mid West Region of Western Australia.

6. Risk Factors

This Section describes the areas the Company regards as potential material risks associated with an investment in the Company. These risk factors may impact upon the future performance of the Company and its prospects of success. While some of these risks may be mitigated through the use of contingency plans and safe guards, some of the risks are outside of the control of the Company and cannot be mitigated. Intending subscribers to the Offer should carefully consider the following risk factors in light of the whole of this Prospectus before applying for shares. There can be no guarantee that the Company will achieve its stated objectives and that any forward looking statements will eventuate. An investment in the Company should be considered speculative. In identifying material risks, there has been a need to eliminate some risks for disclosure because of the lesser probability of occurrence, in the opinion of the Directors.

6.1 Specific Risks

Intending subscribers should be aware that an investment in the Company involves many risks which may be higher than the risks associated with an investment in other companies. The specific risk factors that should be taken into account in assessing the Company's activities and investment in the Company include but are not limited to the following:

Title to the Tenements

The Company has an interest in the Tenements by virtue of the JV Agreement. However, the Company is not obtaining any registered legal ownership interest in the Tenements. There is therefore the risk that the Tenements may be lost or forfeited by WG Exploration and this could potentially result in the Company losing the ability to benefit from the JV Agreement and the Tenements. The Company has sought to mitigate these risks by lodging caveats and acquiring the right to register a mortgage over the tenements after it has met the minimum expenditure requirements under the JV Agreement (see Section 10.3 for further details). If, despite the security obtained by the Company, the Company were to lose access to the Tenements, such events would have a materially adverse effect on the Company.

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.

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.

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.

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.

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.

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.

Reliance on Key Personnel

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

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.

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.

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.

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 this Prospectus.

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 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.

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 adversely affected by the failure or default (including insolvency) of any of the joint venture participants (including WG Exploration).

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.

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.

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.

Carbon Tax

On 10 July 2011 the Federal Government announced its carbon pricing mechanism (**CPM**) which will commence on 1 July 2012. Under the CPM approximately 500 companies will be required to acquire and surrender carbon permits. It is proposed that the CPM will fix an initial price for a carbon permit at \$23 (i.e. \$23/tonne). Draft legislation is due to be released for comment by 31 July 2011. If a carbon tax is imposed, then this may adversely affect the value of the Company's interest in the Tenements or its opportunities, including its future exploration and development programmes. However no analysis has yet been undertaken by the Company to determine the impact of a possible carbon tax.

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.

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.

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.

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).

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 this 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.

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 programmes in a responsible manner with regard to the environment. However, the Company may be:

- (a) subject to potential liability related to the mining and extraction of coal and other minerals;
or
- (b) 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.

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.

6.2 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.

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.

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.

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.

Ongoing Financial Requirements

The Company anticipates that the net proceeds of the Offer will enable it to carry out its planned operations to the extent identified by the proposed expenditure, subject to minimum or maximum subscription being achieved (as the case may be). 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.

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.

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.

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 programmes. 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.

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 Company's interest in 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.

7. Independent Accountants Report

3 August 2011

INVESTIGATING ACCOUNTANT'S REPORT

The Directors
Baru Resources Limited
Suite 304,
22 St Kilda Road
ST KILDA VIC 3182

Dear Sirs,

Re: Investigating Accountant's Report on Historical and Pro forma Financial Information

We have prepared this Investigating Accountant's Report (report) at the request of the Directors of Baru Resources Limited ("Baru Resources" or the "Company") for inclusion in a Prospectus relating to the proposed issue by the Company of a minimum of 20,000,000 shares and up to 30,000,000 shares at an issue price of \$0.20 each to raise a minimum of \$4,000,000 and up to \$6,000,000 before the costs of the issue (the "Prospectus").

Expressions defined in the Prospectus have the same meaning in this report.

Hall Chadwick Corporate (NSW) Limited holds an Australian Financial Services License (No. 227902) issued by the Australian Securities and Investments Commission for use in providing financial product advice, including Investigating Accountant's reports.

Basis of Preparation

This report has been prepared to provide investors with information on the Historical and Pro forma Financial Information as detailed in the Scope below. The Historical and Pro forma Financial Information is presented in an abbreviated form in this report and does not include all of the disclosures required by Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

This report does not address the rights attaching to the shares to be issued in accordance with the Prospectus, nor the risks associated with the investment, and has been prepared based on the Offer being achieved. Hall Chadwick Corporate (NSW) Limited has not been requested to consider the prospects for the Company, the shares on offer and related pricing issues, nor the merits and risks associated with becoming a shareholder and accordingly, has not done so. Hall Chadwick Corporate (NSW) Limited accordingly takes no responsibility for these matters or for any matter or omission in the Prospectus, other than responsibility for this report.

Background

Baru Resources was incorporated in November 2010. The Company has entered into a Joint Venture Agreement with West Galilee Exploration Pty

HALL CHADWICK CORPORATE
(NSW) LIMITED

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independent accounting and
consulting firms

Ltd (“WGE”) for the purpose of exploring and developing tenements for coal and underground coal gasification projects held by WGE.

The Company will fund its initial exploration activities from the proceeds of the Offer and the seed capital it has previously raised.

The minimum and maximum amounts to be raised by this Offer is \$4,000,000 and \$6,000,000. The purpose of the Offer is to provide the Company with sufficient funds to enable it to carry out its exploration programmes, related technical studies, possible acquisitions of other mineral properties, cover the costs of the Offer, and to provide working capital.

Potential investors should read the Prospectus in full. We make no comments as to the value of the current and proposed activities of the Company.

Scope

You have requested Hall Chadwick Corporate (NSW) Ltd. to prepare an Investigating Accountant’s Report covering the Historical Consolidated Balance Sheet as at 30 June 2011 and the Pro forma Balance Sheet as at that date adjusted for the effects of the Offer.

Scope of review of Historical and Pro forma Financial Information

The Historical and Pro forma Financial Information set out in this report has been extracted from the historical consolidated financial statements of the Company, which have not been subject to any form of audit or review.

The Directors are responsible for the preparation and presentation of the Historical and Pro forma Financial Information, including determination of the pro forma adjustments.

The Pro forma Consolidated Balance Sheet incorporates:

- (i) the Historical Consolidated Balance Sheet of Baru Resources at 30 June 2011; and
- (ii) the proceeds of this Offer and related costs;

We have conducted our review of the Historical and Pro forma Financial Information in accordance with Australian Auditing and Assurance Standard ASRE 2405 “Review of Historical Financial Information Other than a Financial Report”.

We made such enquiries and performed such procedures as we, in our professional judgement considered reasonable in the circumstances including:

- Enquiry of Directors, management and others;
- Review of the assumptions used to compile the pro forma Balance Sheet;
- Review of available financial information; and
- Review of work papers, accounting records and other documents.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement on historical information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the Historical and Pro forma Financial Information, as set out in this report:

- (a) does not fairly represent the Historical Consolidated Balance Sheet as at 30 June 2011 and Pro forma Consolidated Balance Sheet adjusted for the effects of the Offer;
- (b) has not been prepared in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) prescribed in Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

Subsequent events

Apart from the matters dealt with in this report, and having regard to the scope of our report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

Independence

Hall Chadwick Corporate (NSW) Limited does not have any interest in the outcome of this issue other than in its capacity as Investigating Accountant for which normal professional fees will be received. Hall Chadwick Corporate (NSW) Limited does not hold nor have any interest in the ordinary shares of the Company.

Hall Chadwick Corporate (NSW) Limited was not involved in the preparation of any other part of the Prospectus, and accordingly, makes no representations or warranties as to the completeness and accuracy of any information contained in any other part of the Prospectus.

Hall Chadwick Corporate (NSW) Limited consents to the inclusion of this report in the Prospectus in the form and content in which it is included. At the date of this report, this consent has not been withdrawn.

Yours faithfully



Drew Townsend
Directors

HALL CHADWICK CORPORATE (NSW) LIMITED



David Kenney

Financial Information

Set out in the table below is the Historical Consolidated Balance Sheet for Baru Resources Limited (**Baru Resources**) as at 30 June 2011 and the Pro Forma Consolidated Balance Sheet for Baru Resources assuming completion of the Offer as disclosed in the Prospectus. This information should be read in conjunction with the information provided elsewhere in this Prospectus. The financial information presented below has been prepared on the assumption that Applications totalling a minimum of \$4,000,000 and a maximum of \$6,000,000 as detailed in this prospectus will be received, less the costs of the Offer of between \$410,000 (for \$4,000,000 raised) and \$530,000 (for \$6,000,000 raised).

A Profit and Loss Statement has not been included as the Company has only recently commenced trading and in the period 25 November 2010 to 30 June 2011 only received \$6,006 in interest income and incurred corporate and administration expenses totalling \$103,240, including \$87,600 in accrued Directors Fees and superannuation. The net loss of \$97,234 is shown as accumulated losses in the Pro forma Historical Consolidated Balance Sheet below. A statement of cash flows is shown at note 3 below.

	Notes	Actual Balance Sheet 30 June 2011	Pro Forma Balance Sheet Note 1	
		\$	Minimum \$	Maximum \$
Current assets				
Cash and cash equivalents	3	140,151	3,730,151	5,610,151
Trade and Other Receivables		444	444	444
Total Current assets		140,595	3,730,595	5,610,595
Non-current assets				
Exploration Expenditure		252,030	252,030	252,030
Total Non-Current assets		252,030	252,030	252,030
Total assets		392,625	3,982,625	5,862,625
Liabilities				
Trade and Other Payables		108,600	108,600	108,600
Total Current Liabilities		108,600	108,600	108,600
Total liabilities		108,600	108,600	108,600
Net Assets		284,025	3,874,025	5,754,025

	Notes	Actual Balance Sheet 30 June 2011	Pro Forma Balance Sheet Note 1	
Equity		\$	Minimum \$	Maximum \$
Contributed equity	4	381,259	4,041,259	5,921,259
Accumulated losses		(97,234)	(167,234)	(167,234)
Total equity		284,025	3,874,025	5,754,025

Notes:

1. Assumptions Used in Preparing the Pro Forma Balance Sheets

- a) Column 1 represents the Historical Consolidated Balance Sheet of Baru Resources as at 30 June 2011.
- b) Column 2 represents the Pro forma Consolidated Balance Sheet of Baru Resources assuming the minimum raise from the Offer of \$4,000,000 less the estimated costs of the Offer to be satisfied in cash of \$410,000. Costs of the Offer have been allocated as \$340,000 to contributed equity relating to the issue of shares and \$70,000 to retained profits relating to the listing of the Company.
- c) Column 3 represents the Pro forma Consolidated Balance Sheet of Baru Resources assuming the maximum raise from the Offer of \$6,000,000 less the estimated costs of the Offer to be satisfied in cash of \$530,000. Costs of the Offer have been allocated as \$460,000 to contributed equity relating to the issue of shares and \$70,000 to retained profits relating to the listing of the Company.

2. Statement of Significant Accounting Policies

The *financial information covers the economic entity of Baru Resources*, a company limited by shares, incorporated and domiciled in Australia whose shares are not currently publicly traded. Being only recently formed, it has not yet been required by law to prepare financial statements.

The following is a summary of the material accounting policies adopted by Baru Resources in the preparation of the financial information. The accounting policies have been consistently applied, unless otherwise stated.

The principal accounting policies adopted in the preparation of the historical and pro-forma financial information (collectively referred to as the "financial statements") are set out below. The financial

statements are for the consolidated entity consisting of Baru Resources and its subsidiaries. The financial statements are presented using the Australian currency. Baru Resources is a company limited by shares, domiciled and incorporated in Australia.

a Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Baru Resources at the end of the reporting period. A controlled entity is any entity over which Baru Resources has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated Balance Sheet. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

As at 30 June 2011 the consolidated group comprises Baru Resources Limited and Baru Resources Pte Ltd.

b Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

c. Costs of Mineral Assets & Exploration and Development Expenditure

Costs of Mineral Assets, exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

d. Impairment of Asset

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

e. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Balance Sheet.

f. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

All dividends received shall be recognised as revenue when the right to receive the dividend has been established.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax (GST).

g. Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid.

h. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

Cash flows are presented in the statement of cashflows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

3. Cash and Cash Equivalents

	Pro Forma	
	Minimum \$	Maximum \$
Interest Income	6,006	6,006
Payments to suppliers and employees	(10,084)	(10,084)
Payments for Exploration Expenditure	(237,030)	(237,030)
Proceeds from issue of Existing Shares	381,259	381,259
Cash and cash equivalents 30 June 2011	140,151	140,151
Cash received pursuant to this Prospectus	4,000,000	6,000,000
Payment of estimated costs associated with the share issue	(410,000)	(530,000)
Pro forma cash and cash equivalents	3,730,151	5,610,151

4. Contributed Equity

Share Capital	No. of Shares		Issued Capital	
	Minimum	Maximum	Minimum \$	Maximum \$
Fully paid ordinary shares	40,100,009	50,100,009	4,041,259	5,921,259
Reconciliation of share capital				
• Issued on incorporation	9	9	9	9
• Issued to founder investors	12,500,000	12,500,000	1,250	1,250
• Issued to seed investors	7,600,000	7,600,000	380,000	380,000
Shares currently on issue	20,100,009	20,100,009	381,259	381,259
• Issued pursuant to this Prospectus	20,000,000	30,000,000	4,000,000	6,000,000
Equity Costs associated with the share issue	-	-	(340,000)	(460,000)
Pro Forma share capital	40,100,009	50,100,009	4,041,259	5,921,259

5. Commitments for Expenditure

In order to maintain an interest in the exploration tenements Baru Resources is committed to meet the conditions under which the Tenements were granted (where applicable). The timing and amount of exploration expenditure and obligations of Baru Resources are subject to the minimum expenditure requirements of the relevant regulatory bodies and may vary significantly from the forecast based on the results of the work performed, which will determine the prospectivity of the relevant area of interest. The Company's obligations to contribute towards the minimum statutory expenditure requirements for the Tenements are outlined in the JV Agreement (see Section 10 for further details in relation to the JV Agreement). The obligations are not provided for in the accounts.

Minimum statutory expenditures with respect to the granted Tenements	Expenditure Commitments*	
	Minimum \$	Maximum \$
Due 1st year	1,440,000	1,440,000
Due 2nd year	1,500,000	1,500,000
Total	2,940,000	2,940,000

*Given it is only at application stage, the expenditure commitments for EPCA 2075 are not currently known. It is probable that if granted, the terms of grant relating to EPCA 2075 will contain conditions requiring the holder to commit annual expenditure on the tenement (for amounts similar to the other Tenements). The Company is not required to contribute the entire expenditure commitments to the Tenements (as shown above). The extent of the Company's obligation to contribute towards the expenditure commitments for the Tenements is set out in the JV Agreement (further details of which are contained in Section 10).

6. Directors' Interests

The Directors of Baru Resources, together with details of the number of Shares acquired or to be acquired by the Directors and/or their associates at the date of this Prospectus, are as follows:

Director	Shares Issued to Directors	No. of Shares Held
Richard Anthon	issued as founder and seed shares	3,700,003
Kevin Nichol	issued as founder and seed shares	1,000,003
Peter Avery	issued as founder and seed shares	3,000,003

The Directors have been allocated Shares either directly or indirectly as set out above. The Directors reserve the right to subscribe for securities under this Prospectus.

7. Directors' remuneration

As at the date of this Prospectus, there were no contractual obligations for Baru Resources to remunerate any Directors other than as noted below.

Mr Avery and Mr Anthon will each be entitled to \$60,000 per annum plus statutory superannuation for their services as a Non-Executive Directors of the Company from 1 March 2011, with such payments to accrue until and become payable upon successful listing of the Company on ASX.

Given the lack of extensive dedicated resources for the Company to utilise, and the requirement imposed on Mr Avery and Mr Anthon in providing these services, these arrangements and the remuneration rate are considered reasonable in the circumstances i.e. "at arms length" or better, from the Company's prospective.

Mr Anthon is a lawyer and managing partner of the law firm Hemming+Hart Lawyers. Hemming+Hart Lawyers has provided advice and performed legal work associated with this Prospectus, including due diligence, work on material contracts and the transactions represented by them, the ASX listing application and the Legal Tenements Report.

Mr Anthon or Hemming+Hart Lawyers may continue to provide legal services to the Company which will be subject to the Company being charged for those services at the usual prevailing rates of Hemming+Hart Lawyers.

Mr Nichol has entered into a consultancy agreement with the Company (explained in detail in Section 10). Mr Nichol is entitled to \$132,000 per annum for his services as an executive director of the Company from 1 March 2011, with such payments to accrue until and become payable upon successful listing of the Company on ASX.

8. Revenues, Expenses and Cash Flows

Baru Resources will have no significant revenues, expenses or cash flows other than the receipt of founder and seed capital subscriptions until quotation of its Shares.

Cash from founders and seed investors was received between 23 November 2010 and 30 June 2011.

8. Independent Geologist's Report

Baru Resources Ltd

Independent Geologist's Report West Galilee Project

August 2011

Prepared By

Mark Biggs

Principal Geologist

Kim Maloney

Senior Resource Geologist

Nicky Vlok

Resource Geologist

Drew Breen

Resource Geologist

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A member of the Moultrie Group



Executive Summary

This report has been prepared by Moultrie Database and Modelling (MDM) for the sole use of Baru Resources Limited (**Baru Resources** or the **Company**) for inclusion into a prospectus to be issued by Baru Resources date on or about 3rd August 2011. Seven coal exploration tenures located in Northern Queensland (EPC2072, EPC2073, EPC2074, EPC2076, EPC2077, EPC2078 and EPCA2075) have been subject to detailed geological investigations aimed at identifying potential shallow coal deposits amenable to open-cut mining. The current holder of these six EPC's and the EPCA is West Galilee Exploration Pty Ltd.

There are three sedimentary basins underlining the project area, namely: the Galilee Basin; the Eromanga Basin and the newly identified Millungera Basin. Available information on this project area including the description of the geology and historical exploration has been collated. The coal-bearing formations of the Eromanga Basin are Cretaceous in age and generally contain dull, sub-bituminous coal and lignite. The Galilee Basin coals are Permian in age and sub-bituminous to bituminous in rank. The Millungera Basin is largely unexplored.

Additionally there are other formations with some coal development potential such as: the Mackunda Formation; the Wallumbilla Formation; the Blantyre Formation and the Birkhead Formation within the Eromanga Basin and the Bandana Formation and the Aramac Measures for the Galilee Basin. Whilst each of these formations has numerous coal seams up to 3m thick recorded throughout, within the tenures studied insufficient information exists to estimate either a non-JORC Exploration Target or JORC resources for four of the tenures (as listed in Table 1). Any relevant data that has been extracted from historic reports has been collated and mentioned in this report.

Table 1 - Calculation of Exploration Target Tonnage Range of the West Galilee Project Area

Tenement	Formation	Area (m ²)	Average Cumulative Thickness (m)	Relative Density	Gross Tonnage	Unexpected Geological Loss % ²	Exploration Target (Mt) ³
				(Kg/m ³ ; adb)	Mt ¹		
EPC 2072	Allaru	33,000,000	2.0	1.55	102,300,000	35	0-50
EPC 2073							-
EPC 2074							-
EPCA2075							-
EPC 2076	Allaru	45,000,000	2.0	1.55	139,500,00	35	0-80
EPC 2077							-
EPC 2078	Winton	108,000,000	3.0	1.50	486,000,000	30	100-300
Total							100 - 430

Notes

1. This figure represents a non-JORC working calculation of total coal in ground, given no constraints.
2. Unexpected geological loss mainly due to undiscovered, presumed, seam splitting and thinning over large distances between boreholes.
3. Coal seams >0.3m thick and <500m depth. It 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 JORC-standard resource however there is considerable evidence to support the current Exploration Tonnage calculations, and the sufficient coal thicknesses interpreted from historic drilling to warrant further investigation.

Previous investigations in the region do not cover the current EPC/EPCAs under review and therefore are not totally representative of the coal formations under investigation. Nonetheless, examination of the Queensland Government's registered water bore database notes that there are brown and black coal intersections within the project area up to 12m thick. These need to be re-drilled and geophysically logged so as to confirm the presence of these coal intervals and to increase the drilling density and subsequently increase confidence enough to estimate an Exploration Target tonnage ranges for those tenures with no current estimate.

Regional seismic surveys completed by various Federal and State Government bodies have identified the Carboniferous to Triassic-aged Millungera Basin as an exploration target for coal, coal bed methane, and geothermal energy. The geophysics has been interpreted by Geoscience Australia personnel as having two strong reflectors that could represent significant coal seams. Basins of a similar age to this basin have known coal resources, if this coal does actually occur in this basin and has been heated by the granite beneath it, then the coal resources potentially may have coking properties.

Within the Eromanga Basin, prior exploration conducted in historical ATP289C included core sampling, with the results indicating that potential exists for a domestic or export thermal coal product. Based on the current investigations, enough encouraging data has been found to recommend that a reconnaissance drilling program be the next stage in the investigation of the West Galilee Project. Each tenure has been rated for prospectivity, but due to sparse data densities at this locality, current ratings are either low or low-moderate in terms of prospectivity.

Although 2D seismic traverses could be contemplated, the most appropriate exploration technique in this instance is drilling. This should be designed as an initial rotary chip program to define the coal formations within the exploration tenures. There are three main exploration targets: the Winton in the Eromanga Basin; the Betts Creek beds in the Galilee Basin and unknown formations in the Millungera Basin. Boreholes planned to intersect these rock units should range in depth from 150m to 850m so

as to delineate the stratigraphy and quality of all possible economic coal seams for the project area. Downhole geophysical logging with a comprehensive suite of sondes is recommended to accompany this drilling.

If favourable results are apparent from Stage 1 exploration, then an expanded investigation based on the results of this prior stage should include cored boreholes is recommended. This should allow sufficient coal quality, geotechnical, and desorbable gas analyses to be conducted so as to proceed to the next level of investigation.

Declaration and Consent

Qualifications and Experience

This Report has been prepared by Mark Biggs for and on behalf of Baru Resources. Mark Biggs has over 31 years of experience in base metal, industrial mineral, coal exploration and mine evaluation throughout Australia. He has worked extensively within the Bowen and Surat Basins and was resident at several Central Queensland coal mines for 22 years. He has held a number of roles in these mine's Technical Services, including Senior Geologist, Chief Geologist, Coal Quality and Scheduling Superintendent and Acting Technical Services Manager. He is a Competent Person for coal as defined by the JORC Code (2004) and has extensive experience in open cut and underground exploration techniques, geophysical techniques, coal quality, geotechnical and structural modelling, mining, and scheduling.

Mark is the Principal Geologist for the Moultrie Group and works for the Database and Modelling division (MDM), which has been operating since 2007. His principal qualifications are a B. App. Sci. from the Queensland University of Technology and a M. App. Sci. from the same institution. Mark is a Member of The Australasian Institute of Mining & Metallurgy and a Member of the Geological Society of Australia.

Independence

Neither Mark Biggs nor MDM have a direct or indirect financial interest in, or association with Baru Exploration, the properties and tenements reviewed in this report, nor the outcome of the offer pursuant to the Prospectus, apart from standard contractual arrangements for the preparation of this report and other previous independent consulting work. In preparing this report, MDM has been paid a fee for time expended based on its standard daily rates. The present and past arrangements for services rendered to Baru Exploration do not in any way compromise the independence of MDM with respect to this review. Drafts of this Independent Geologist's Report have been provided to Baru Exploration, but only for the purposes of verifying factual information and the reasonableness of assumptions contained herein.

Limitation

The views expressed in this Independent Geologist's Report are solely those of MDM and Mark Biggs, unless specifically identified within the report as those of other parties. To the extent permitted by law, Mark Biggs and MDM disclaims all liability for loss or damage (whether foreseeable or not and whether indirect or not) suffered by any person acting on the report or arising as a consequence of

the information in the Independent Geologist's Report on the potential Coal Resources within EPC's 2072-2078- Report No: MDM11_0088_02.2, whether such loss or damages arises in connection with any negligence, default or lack of care on behalf of other parties associated with the preparation of the report.

Consent

MDM hereby consents to the inclusion of this Independent Geologist's Report in the Prospectus referred to above, in both electronic and hard copy format, in the form and context in which it appears. As at the date of Independent Geologist's Report set out above MDM has not withdrawn consent.

MDM was only commissioned to prepare the Independent Geologist's Report and has only authorised issue of this Independent Geologist's Report on Baru Exploration's exploration tenements specified in the Independent Geologist's Report. It has not been involved in the preparation of, or authorised issue of, any other part of the Prospectus in which this Independent Geologist's Report is included.

Disclaimer

This Report is to be read as a whole, and sections or parts thereof should therefore not be read or relied upon out of context. This disclaimer must accompany every copy of the Report, which is an integral document and must be read in its entirety.

Competent Person's Statement

Any estimates of the Coal Resources presented in this Report are considered to be a true reflection of the Coal Resources as at 27th June 2011 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). Where quoted, it should be noted that where Exploration Target tonnages calculated in the report they are considered non-JORC and are conceptual in nature.

There has been insufficient exploration to define a Coal Resource and that it is uncertain if further exploration will result in the determination of a Coal Resource.


Name	Job Title	Registration	Experience (Years)	Signed
M Biggs	Principal Geologist Moultrie Database & Modelling	AusIMM 107188	26	

Table of Contents

List of Figures	49
List of Tables	50
Overview	51
Permit Summary	51
Methodology	52
West Galilee Project	52
Geology	53
Regional Geology	54
Coal Geology	57
Local Geology	58
Surrounding Exploration	60
Tenement Exploration History	60
Borehole data	63
Petroleum and Stratigraphic holes	65
Geophysical Surveys	70
Seismic surveys	70
Regional Aeromagnetic and Gravimetric Surveys	73
Coal Quality	75
Results	75
Exploration Potential	77
Prospectivity	79
Recommendations	79
Year 1 Predictions	81
Year 2 Exploration Plan	81
Sampling requirements	82
Drilling Costs	83
Sampling Costs	83
Estimated Drilling and Coal Quality Expenditure	83
Technical Glossary	85
Future Exploration	85
References	88

List of Figures

Figure 1 - Location of West Galilee Project Area	52
Figure 2 – The Land Use of the West Galilee Project Area	53
Figure 3 - Regional Geology: Sedimentary Basins Relevant to the West Galilee Project Area	54
Figure 4 - Stratigraphic Column of the Eromanga Basin	55
Figure 5 - Solid Geology for all Tenements.	59
Figure 6 - Location of Historic Tenements Relevant to the Galilee Project	60
Figure 7 - Boreholes Intersecting Coal and all Other Drilled Holes in the Region (Petroleum and Stratigraphic).	64
Figure 8 - Inferred Extent of the Millungera Basin (Yellow).	71
Figure 9 - Interpretation of the regional Seismic Survey of Seismic Line 07GA-IG, (Hutton and Korsch, 2008)	72
Figure 10 - Enlargement of Part of Seismic LINE 07GA-IG1, and Lines 06GA-M4/M5 (Hutton and Korsch, 2008)	72
Figure 11 - Department of Mineral and Energy's 2009 Seromagnetic Surveys of Queensland.	73
Figure 12 - Department of Mineral and Energy's 2007 GRAVITY Survey Surveys of Queensland.	74
Figure 13 – Top of Coal Seams for the shallow coal seams recorded (Eromanga Basin)	76
Figure 14 - Top of Coal Seams for the shallow coal seams recorded (Galilee Basin)	76
Figure 15 – Current Exploration Tenure Surrounding the West Galilee Project Area	78
Figure 16 – Current Exploration Proposed Years 1 and 2	80

List of Tables

Table 1 - Calculation of Exploration Target Tonnage Range OF the West Galilee Project Area	43
Table 2 - West Galilee Exploration Pty Ltd Tenement Details	51
Table 3 – Stratigraphical Table Applicable to the West Galilee Project Area	56
Table 4 - Summary of Historical Exploration Drilling Around the West Galilee Project Area	61
Table 5 - Stratigraphic OF Belfast 1, Relevant to the Southern Area of the Project Area for the Eromanga and Galilee Basins	66
Table 6 - Stratigraphicity from Petroleum Well Rosevale Downs No.1, East of the Project Area with the Re-Interpreted Data	67
Table 7 - Stratigraphicity from Petroleum Well Hampden Downs No.1, with the Re-Interpreted Data	68
Table 8 - Table 8 - ATP 289C Coal Quality Analysis, Air Dried Basis	75
Table 9 - Calculation of Exploration Target Tonnage Range OF the West Galilee Project Area	78
Table 10 – Baru Resources Pty Ltd Tenure Prospectivity	79
Table 11 – Predicted Depths of Coal Bearing Formations Targeted	81
Table 12 – Sample Recommendations	82
Table 13 – Estimated Expenditure for Year 1 of the Exploration Plan for the West Galilee Project	84
Table 14 – Estimated Expenditure for Year 2 of the Exploration Plan for the West Galilee Project	84

Overview

Permit Summary

This report has been prepared by Moultrie Database and Modelling (MDM) for the sole use of Baru Resources Limited (**Baru Resources** or the **Company**) for inclusion into a prospectus to be issued by Baru Resources date on or about 3rd August 2011. Seven coal exploration tenures located in Northern Queensland (EPC2072, EPC2073, EPC2074, EPC2076, EPC2077, EPC2078 and EPCA2075) have been subject to detailed geological investigations aimed at identifying potential shallow coal deposits amenable to open-cut mining. The current holder of these six EPC's and the EPCA is West Galilee Exploration Pty Ltd.

These EPCs and EPCA were all applied for on the 4th of March 2010. Six EPCs were granted on the 29th of March 2011 and expire on the 28th of March 2013 and the individual tenement area contains 300 sub-blocks. One of the Tenures EPCA2075 has yet to be granted which could pose a moderate risk to any coal exploration and evaluation proposed.

A large part of this study has included investigation of exploration within the project area and additional interpretation of the geology of the project area. Recent exploration and CBM Exploration by several explorers has generated a lot of research into the geology and the sedimentary basins that has resulted in a newly-discovered basin: the Millungera Basin, as well as the refined extent of the Galilee Basin.

This historical data provides regional geological context for the local geology and exploration history of the tenure area and a guide towards exploration potential of the tenement for coal.

Table 2 - West Galilee Exploration Pty Ltd Tenement Details

Tenure	Status	Date Lodged	Date Granted	Date Expires	Principal Holder	No. of Subblocks
EPC2072	Granted	04-Mar-10	29-Mar-11	28-Mar-13	West Galilee Exploration Pty Ltd	300
EPC2073	Granted	04-Mar-10	29-Mar-11	28-Mar-13	West Galilee Exploration Pty Ltd	300
EPC2074	Granted	04-Mar-10	29-Mar-11	28-Mar-13	West Galilee Exploration Pty Ltd	300
EPCA2075	Application	04-Mar-10			West Galilee Exploration Pty Ltd	300
EPC2076	Granted	04-Mar-10	29-Mar-11	28-Mar-13	West Galilee Exploration Pty Ltd	300
EPC2077	Granted	04-Mar-10	29-Mar-11	28-Mar-13	West Galilee Exploration Pty Ltd	300
EPC2078	Granted	04-Mar-10	29-Mar-11	28-Mar-13	West Galilee Exploration Pty Ltd	300

Source: Queensland Government IRTM website

Methodology

The process followed to produce this Independent Geologist's Report is outlined below:

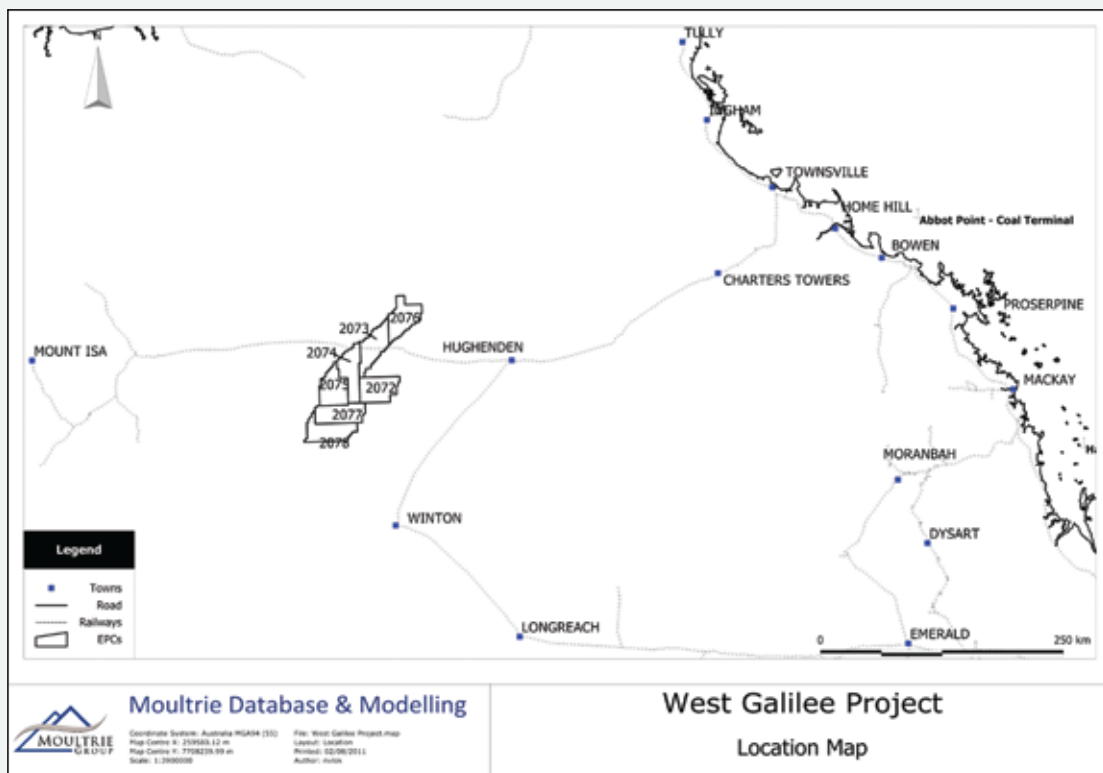
- Review of open files and other public domain data sets relative to the exploration leases;
- Identify coal occurrences and a preliminary estimate of the coal resources;
- Encode and validate all available boreholes collars, seam picks and coal quality data into a spreadsheet database;

A series of contour plots of significant stratigraphical surfaces and cumulative coal thickness isopachs have been generated so as to understand variations in the local geology. However density of the data used to generate these plots is insufficient to generate either non- JORC Exploration Target or JORC Resource Estimates.

West Galilee Project

The West Galilee Project area is composed of six EPCs and one EPC application (Table 1). The closest major towns to this project area are Mt Isa and Hughenden, in Northern Queensland. The tenements are continuous in a northeast and southwest direction. The project area covers approximately 7,140 km² within the Richmond Shire. The closest coal terminal is the Abbot Point Terminal 25 kilometres north of Bowen, 500km east (Figure 1).

Figure 1 - Location of West Galilee Project Area



Source: Moultrie Database and Modelling 2011

The Flinders Highway (A6) provides an east to west arterial transportation corridor connecting Cloncurry (immediately west of Julia Creek) to the Queensland coast at Townsville. This highway allows for access to the northern tenements. The Landsborough Highway (A2) runs south east from Cloncurry and passes through the southernmost tenement before intersecting Winton (100km away). The area has numerous other major roads and tracks.

The area is partially cultivated to the north, but mainly covered in bush and scrub. There are numerous dams and minor creeks on the tenements with the main use being cattle grazing (Figure 2).

No coal mining leases are in the area and it has not historically been mined.

There are no restricted areas within any of the EPC/As. The native land rights fall under the Central Queensland Land Council Aboriginal Corporation for all but a little south portion of the EPC2078 that encompasses the Garang Land Council. There are no sterile portions, restricted areas, or mining operations existing across the project area.

Geology

The project area is situated in the Eromanga basin, which overlies the Galilee Basin and in part the newly defined Millungera Basin (refer to Figure 3). These basins will be reviewed in the context of their potential to be hosts of potential economic coal deposits.

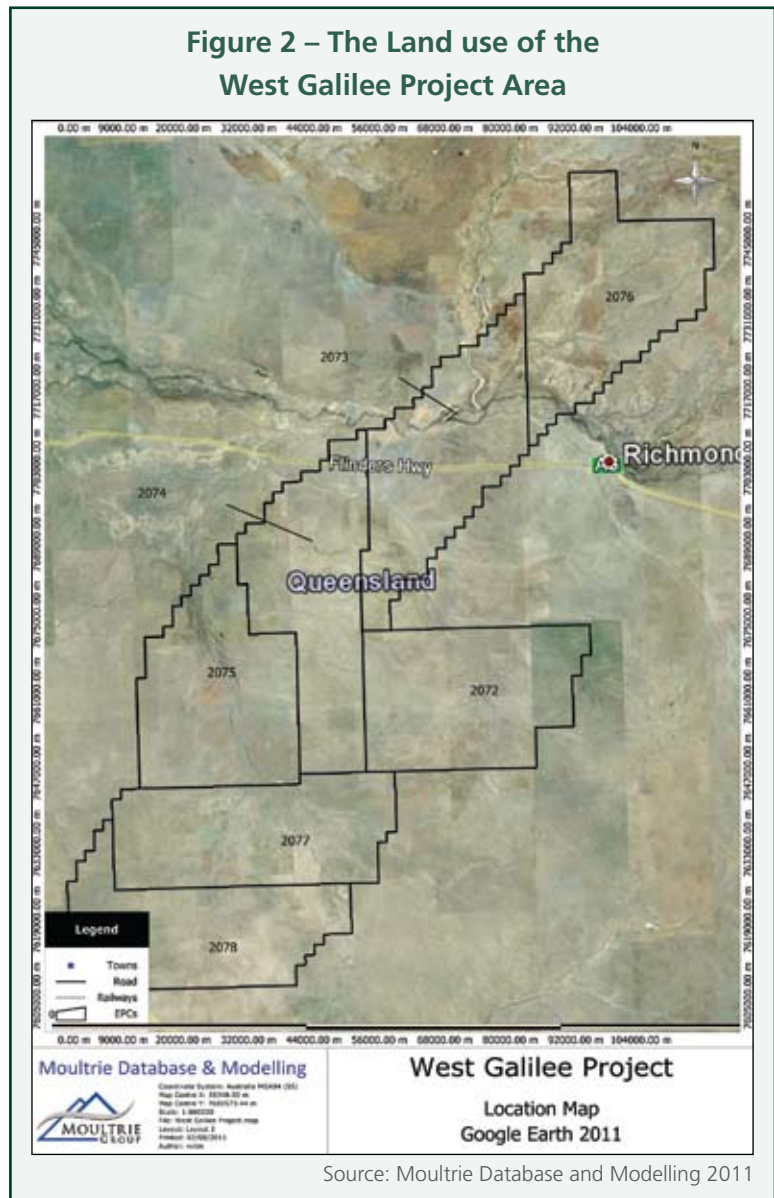
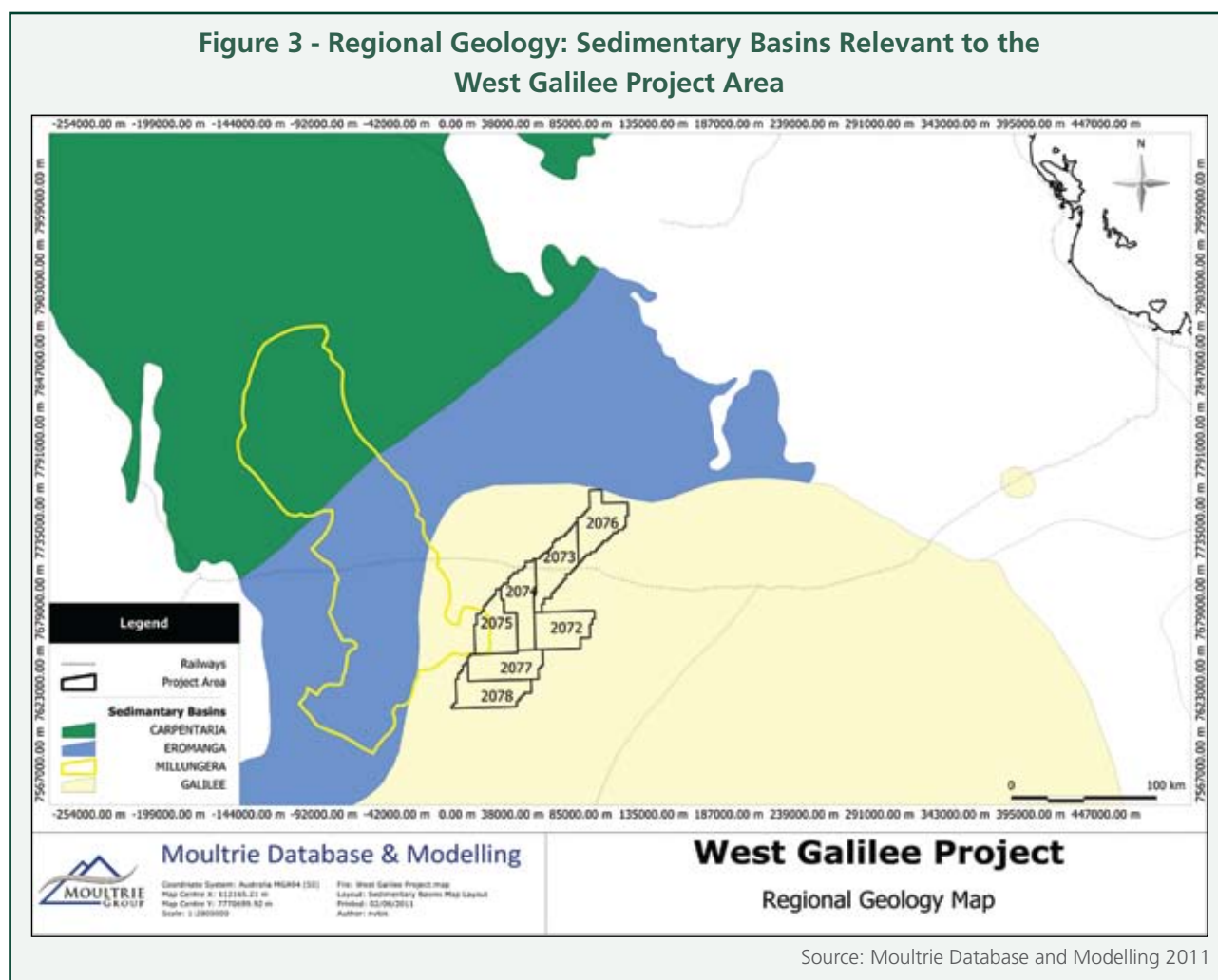


Figure 3 - Regional Geology: Sedimentary Basins Relevant to the West Galilee Project Area



The Eromanga Basin

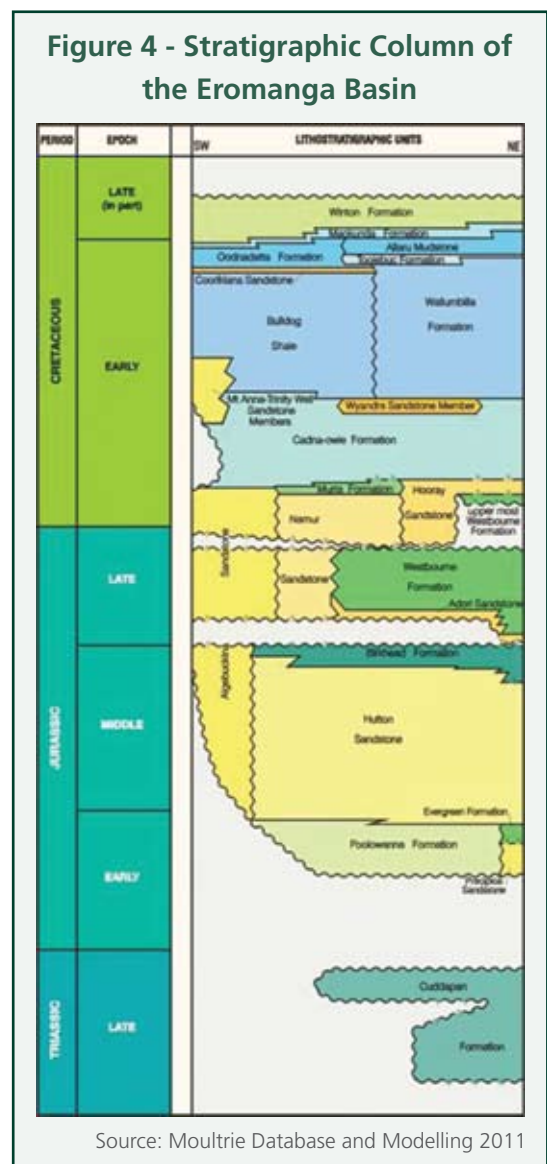
The Jurassic to Cretaceous Eromanga covers an area approximately 1,000,000 km² over large areas of Queensland, parts of South Australia, New South Wales and Northern Territory. It is separated from the facies equivalents/direct correlation of the Carpentaria Basin by the Euroka Arch. The Eromanga Basin within this regional area unconformably overlies, in parts, the Cambrian-Ordovician Georgina Basin to the west and the Palaeozoic Galilee Basin and Drummond Basin in the east (McConachie et al., 1997). It is now known to cover the southern Millungera Basin (Korsch et al, 2011).

The Early Cretaceous Geological evolution of the Eromanga Basin is essentially identical to that of the contiguous Carpentaria and Surat Basins. Mudstone, siltstone and minor sandstone of the lower part of the Wallumbilla Formation were laid down in an enormous, shallow epicontinental sea which covered all three basins.

During early Albian time, an ecstastically-controlled fall in sea level coupled with minor uplift of the Nebine and Eulo Ridges resulted in the closure of the eastern seaway between the Eromanga and

Surat Basins. Paralic environments prevailed in the southern part of the Eromanga Basin during deposition of the upper part of the Wallumbilla Formation. Contemporaneous deposition in the northern part of the Eromanga Basin took place in restricted marine and lagoonal environments indicating limited communication with the sea and the Carpentaria Basin to the north.

Re-establishment of the northern seaway across the Euroka Arch in the late Albian time was marked by deposition of interbedded black shale and limestone of the Toolebuc Formation. The sub-surface extent of this thin, very widespread unit is based on its correlation with a strong, positive gamma ray anomaly. Oil-shale deposits of this formation indicate specialised environmental conditions which favoured the growth and preservation of organic matter. Continued late Albian transgression terminated these conditions and the succeeding Allaru Mudstone represents normal marine deposition.



The regressive cycle which closed sedimentation in the Eromanga Basin began in late Albian time as the sea withdrew into the Carpentaria Basin. The cycle comprises mainly arenaceous, paralic sediments of Mackunda Formation and lacustrine and low-energy fluvatile sediments of the Winton Formation. Sedimentation in the Eromanga Basin ceased during Cenomanian time. Figure 4 is the stratigraphic columns of the Eromanga and Carpentaria Basins and Table 2 details the stratigraphic succession of the Eromanga-Galilee.

Structural features of the Eromanga Basin reflect those of the underlying sedimentary basins and basement. Differential compaction and rejuvenation of old fault structures appear to be responsible for the observed structures. Post-Cretaceous earth movements are quite pronounced in the Eromanga Basin when compared to other basins that underwent deformation during that time.

The Galilee Basin

The Galilee Basin formed as a large but shallow intracratonic basin in the northern part of the former Thomson Orogen in Late Carboniferous time, and received dominantly fluvatile sediments of

late Carboniferous to Middle Triassic age. Most of the basin is concealed by later sediments of the Eromanga Basin, and only the north eastern margin is exposed.

Late Carboniferous and earliest Permian sediments were laid down over most of the Galilee Basin. A north-western lobe of the basin, the Lovelle Depression, may have been separated from the main area throughout this period of deposition.

The thickest section of Late Carboniferous-Earliest Permian rocks, in the north-eastern part of the basin (Koburra Trough), was defined as the Joe Joe Group by Gary and Swarbrick (1975) from intersections in petroleum exploration wells. Outcrops of the Joe Joe Group and sub-surface strata of the southern Galilee Basin consist almost entirely of the Jericho Formation as defined by Gary and Swarbrick (1975). The Boonderoo Bed, a small out crop northeast of Hughenden, is lithological correlatives of the Jochmus Formation (Gray, 1977). The Lovell Depression contains correlatives of the Aramac Coal Measures underlain by unnamed sediments which are the same age as the Jochmus Formation (Hawkins P. J., 1978). The Joe Joe consists of entirely freshwater sediments including glacial deposits (Crowell, 1971). The sediments were derived mainly from a volcanic source area to the east and a metamorphic and granitic source to the west (Hawkins, 1978).

Table 3 – Stratigraphical Table Applicable to the West Galilee Project Area

Era	Basin	Period	Epoch	Group	Formation	Member	Environment	
Cainozoic		Quaternary			Quaternary alluvium, gravels, sand, silcrete			
		Tertiary			Glendower Formation			
Mesozoic	Eromanga	Cretaceous	Lower to Upper	Rolling Downs Group	Winton Formation		Fluvio-lacustrine Coal Swamps	
			Lower		Mackunda Formation		Marginal Marine	
					Allaru Mudstone		Shallow Marine	
					Toolebuc Formation		Restricted Marine	
					Wallumbilla Formation	Coreena Member Doncaster Member	Shallow Marine	
					Cadna-owie Formation		Paralic- Coarsening Upwards	
		Upper Jurassic to Lower Cretaceous			Hooray Sandstone		Meandering and Braiding Stream	
		Jurassic	Upper		Westbourne Formation		Overbank/Lacustrine (Fining Upwards) Braided Stream	
			Middle		Adori Sandstone		Overbank Deposits Lower Flood Plain (Fining Upwards) Meandering Stream	
					Birkhead Formation			
					Hutton Formation			
			Lower		Poolwanna Formation		Fluvio- Lacustrine Disconformity	
			Triassic			Moolayember Formation		Fluvio- Lacustrine Unconformity
					Warang Sedimentary Sequence	Clematis Sandstone		
	Dunda Beds							
	Rewan Formation							
Paleozoic	Galilee	Permian			Betts Creek Fm	Bandanna Formation		Fluvial Alluvial Plane Unconformity
					Joe Joe Group	Aramac Coal Measures	Colinlea Sandstone	Fluvio- Lacustrine Major Unconformity
				Jochmus				
				Jericho Formation				
				Lake Galilee				
	Late Carboniferous							

Source: Vine and Galloway (1964)

The Millungera Basin

The Millungera Basin is a previously unknown sedimentary basin and was interpreted from the deep seismic line 07GA-IG1 from the Isa- Georgetown- Charter Towers Survey of 2007. The basin is covered by 200-300m thick Carpentaria-Eromanga Basins and unconformably overlays the Proterozoic basement possibly felsic granites, (Hutton, et al, 2009).

Seismic lines for 07GA-IG1, 06GA-M5, and 06GA-M4 (of the 2006 Mount Isa survey) identified the basin and can be used to define the possible extent of the Millungera Basin. The southern extent is considered speculative as it is in close proximity to the Galilee basin. The Millungera has been interpreted from aeromagnetic surveys to cover an area of 280km by 95km (Korsch et al, 2011).

The age of the Millungera Basin has been estimated to be around 540ma, Similar to the Galilee Basin and seismic surveys suggest constrained within the early Mesoproterozoic and Middle Jurassic (upper Galilee).

The new magnetotelluric data revealed the erosional contact with the Eromanga Basin and truncated eastern and western margins marked with thrust faults. This data also indicated an easterly thickening to a maximum depth of less than 4km. The stratigraphy of the Millungera Basin is currently unknown but may contain prospective areas for oil, gas, coal, and minerals. Possible correlative basins are: the Drummond Basin and the Galilee Basin.

The underlying granites, as interpreted from the seismic surveys, could present potential geothermal energy resources sediments.

Coal Geology

In Queensland the Carboniferous is the oldest known coal-bearing formation, this formation has never been assigned any economic significance.

The Permian coal formations are Queensland's economically bearing coal formations. The Permian basin within this project area is the Galilee Basin which includes the Joe Joe Group's Aramac Coal Measures and the Betts Creek Beds' Bandanna Formations. The Galilee Basin is linked to the main coal producing Bowen Basin by the Springsure Shelf. The Galilee Basin contains high volatile, low rank, thermal coal. The Betts Creek beds were mined at Oxley Creek and have recorded a seam up to 10m in Hughenden. In the Belfast #1 hole the Bandanna Formation is at 980m in depth. The Aramac Coal Measures occur at an uneconomic depth.

The Millungera Basin is thought to be of a similar age to the upper Galilee Basin and may contain significant coal-bearing Formations, such as the Aramac Coal Measures.

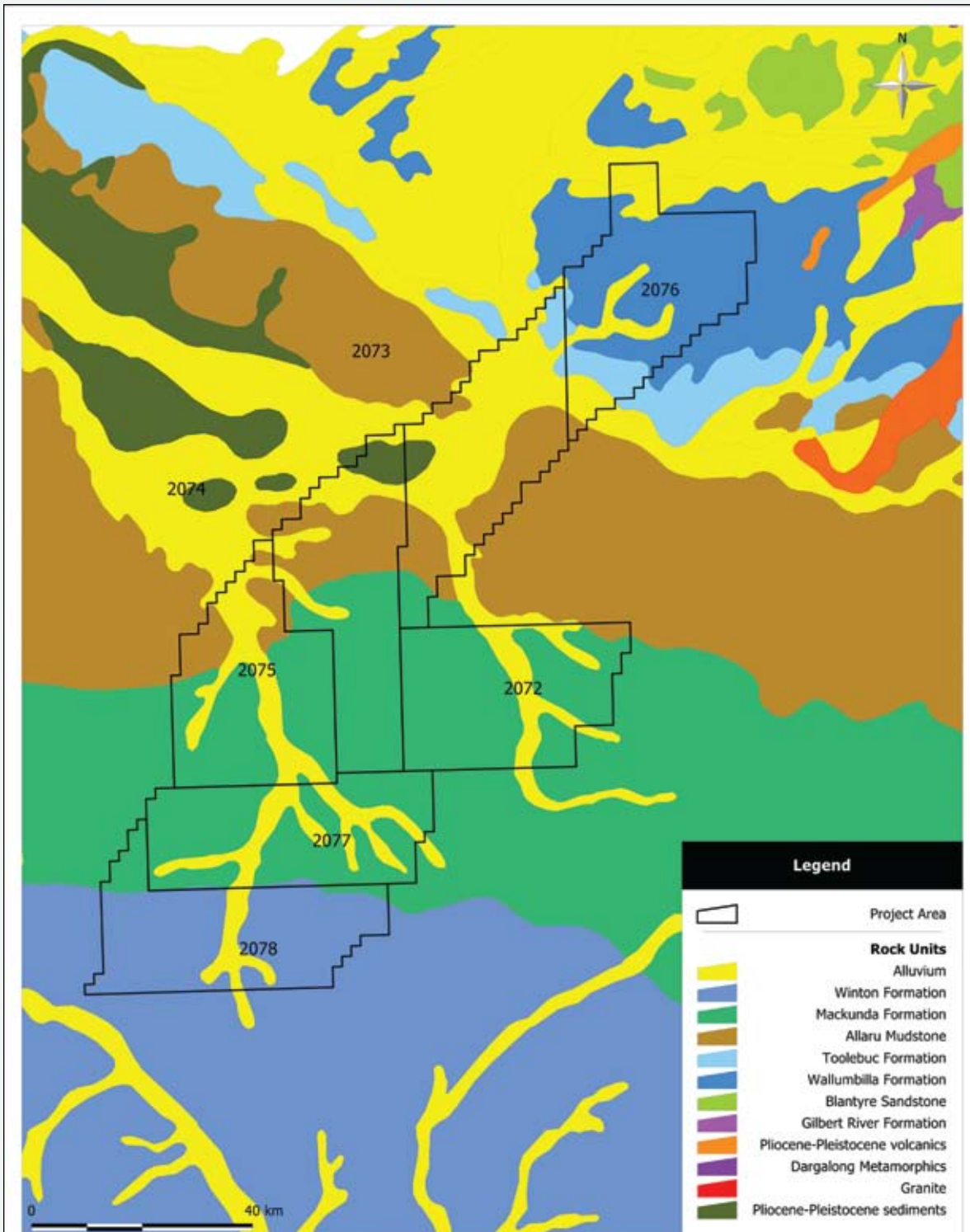
The Mesozoic Coal measures present in this project area are: the Eromanga Basin's Winton Formation which contains some lignite to sub-bituminous coal- this formation is outcropping in the south of the project area and eroded in the north of the project area; and the Birkhead Formation which may contain coal seams.

Local Geology

The boundary of the Eromanga Basin, and the northern boundary of the Galilee Basin is relatively simple and essentially flat lying, lacking major structures however minor faulting has been identified (Figure 5). The Eromanga Basin sequence in the area generally dips gently to the south-west with local undulations and structural highs. At the margins of the Eromanga Basin localised faulting, uplifting, and erosion have occurred prior to sedimentation.

All the tenements contain sediments from the outcropping Eromanga Basin and the Subcropping Galilee Basin. The Eromanga Basin covers the surface area with numerous formations exposed over this project area. In the south the surface geology is that of the Winton Formation which outcrops on EPC 2078, exposing the Mackunda Formation on EPC 2077, 2072 and EPCA 2075. The Allaru Mudstones have Alluvium partially covering them and the Toolebuc Formation and the Walumbilla Formation outcrops on EPC 2076.

Figure 5 - Solid Geology for all tenements.



Moultrie Database & Modelling



Coordinate System: Australia MGA94 (55)
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 Map Centre Y: 7671690.90 m
 Scale: 1:890000
 File: West Galilee Project.map
 Layout: Stratigraphy Map Layout
 Printed: 02/08/2011
 Author: mvlak

West Galilee Project

Surface Geology

Source: Moultrie Database and Modelling 2011

Surrounding Exploration

The area is relatively unexplored with regards to shallow coal and has relatively few previous exploration/relinquishment reports to investigate. The wider review area does have more holes but they are petroleum or stratigraphic holes.

Tenement Exploration History

Historically EPCs were referred to as Authority to Prospect (ATP).

The area to the east of this project area has been explored since the 1960s. A single tenement has been held to the southwest of the tenements. Figure 6 shows the historical EPCs for the West Galilee Project area and up to 200km of the surrounds. Table 4 is a summation of the historical exploration.

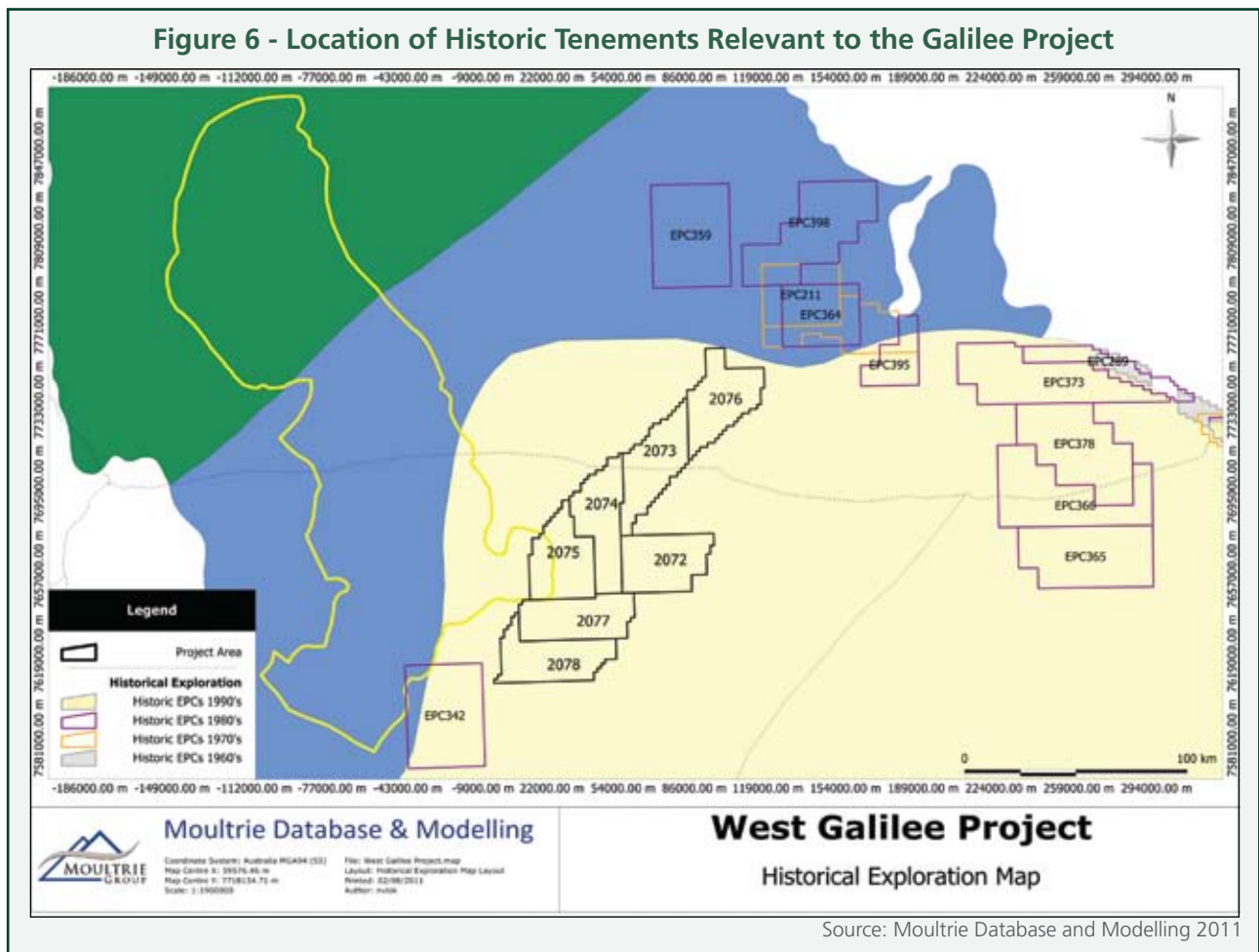


Table 4 - Summary of Historical Exploration Drilling around the West Galilee Project Area

EPC/ ATP	Year	Tenure Holder	Area km ²	Holes drilled	Depth	Coal Intersected	Coal Quality
211	1977-1979	Otter Exploration N.L.	970	8 (3 abandoned)	236.2m total metreage	Thin Coal seam <15cm	
214	1977	Houston Oil and Minerals	970	11		Thin Coal seam <7cm	2 holes
289	1980	Carpentaria Exploration Company Pty Ltd	570	13	40-240m	Approximately 4m cumulative coal in holes FC 1, 2, 7, 8, 9, 15, 17 and 1.24m in FC19	Air Dried Analysis on FC 2A, 8A, 9A, 15, 17, 18
342	1981	Layton & Associates Pty Ltd	1,600	13 (2 abandoned)	<91m	<0.5m	
359	1981	Shell Company of Australia	1,600	5	574m total metreage	<0.2m	
364	1982	Carpentaria Exploration Company Pty Ltd	970	2	90;103m	None	
373	1981	BP Australia LTD	1,600	10 (7 abandoned)		No economic seams <200m	
395			515s	1	Abandoned at 276.5m	1m at 65m on Hughenden #1	
398		Mobil Energy Minerals (Australia) Inc	1,600	6		None	

Source: Moultrie Database and Modelling 2011

EPC 211 (ATP 211C, 1977)

This exploration program was run by Otter Exploration N.L. between 02/09/1977 and 01/09/1979. The first stage of the drilling program involved the drilling of four (4) boreholes (RDH 1-4) for a total metreage of 236.2m. RDH 1 encountered an interbedded sequence of siltstone and claystone with minor carbonaceous and coaly material. The other three (3) Stage 1 boreholes were abandoned short of their target depth due to drilling difficulties.

Stage 2 drilling program entailed four (4) additional boreholes (RDH 6-9) and the deepening of RDH 2 (which was called RDH 5). Metreage drilled in Stage 2 is 357.5m. The location map of the Exploration holes or collar positions of them are not available in open file. Predominantly sandstone with minor siltstone and claystone were encountered. A thin interbedded sequence of sandstone, siltstone and claystone which contains minor carbonaceous and coaly material was intersected in RDH 5, 6 and 8. The drilling results indicate that coaly material is best developed in the south east corner of ATP 211C, although all coal intersections are less than 0.31m thick further to the north west the thin coal bands appear to lens out and only carbonaceous material was intersected in RDH 8. There is no location map on open file for these boreholes.

EPC 214 (ATP 214C, 1977)

Authority to Prospect 214C was granted to Houston Oils & Minerals Australia Inc on 13th December 1977. The ATP consists of 300 sub-blocks and was located 90km north east of Richmond. Eleven (11) boreholes (bh01_214 to bh11_214 in Figure 7 below) comprising 913 metres of open hole and 16 metres of cored hole were drilled. Two of these bore holes intersected a thin coal seam at a depth of approximately 70 meters. The report suggests that there appears to be stratigraphic correlation between these boreholes and the analysis of the coal from borehole 7 shows it to be High Volatile Bituminous. It is not coking coal but would probably be suitable for steam raising. Due to drilling problems the program was terminated prematurely, prior to analytical results were assessed.

EPC 289 (ATP 289C, 1980)

Authority to Prospect 289C was granted to Carpentaria Exploration Company Pty Ltd on 24/04/1980 for a period of two (2) years. Thirteen (13) boreholes were drilled, FC – 01 to FC – 13 (Figure 7), with a combined metreage of 1540m of open hole rotary percussion between depths of 40m to 240m. Six (6) meters of NQ coring was also done.

EPC 342 (ATP 342C, 1981)

This exploration project was run by Layton & Associates Pty Ltd in 1981. A total of 732m was drilled in 13 boreholes (Figure 7), 2 of which were not completed; maximum depth reached was 91m. Thin intersections of coal not exceeding 0.5m were obtained at depths between 39m and 56m in boreholes K3 and K4. Subsequent holes intersected considerably less coal. The same horizon was assumed to be encountered in holes K7 and K8 and was in the order of 0.02 to 0.05 m thick.

EPC 359 (ATP 359C, 1981)

Authority to Prospect 359C, which covers an area of 500 sub-blocks, was granted to The Shell Company of Australia Limited for a period of two years from 19/6/1981. The tenement is located approximately 100km north northeast of Richmond. 5 chipped boreholes (RH-1 to RH-5 (Figure 7)) were drilled for a total metreage of 574m. Only borehole RH-1 was wireline logged as the other four suffered at least partial downhole collapses due to the crumbly nature of the sandstones and the friable nature of the mudstone.

EPC 364 (ATP 364C, 1982)

Authority to Prospect N. 364C was granted to Carpentaria Exploration Company Pty Ltd from August 20th 1982 for 2 years over an area of 300 sub-blocks. 2 boreholes were drilled, GL 01 to 103m and GL 02 (Figure 7), to 90m. Both boreholes penetrated clayey, coarse sandstone wand neither encountered any coal or carbonaceous material.

EPC 373 (ATP 373C, 1981)

BP Australia Ltd was granted Authority to Prospect 373C, White Mountains, on 26/10/1981 for a term of two years. Ten (10) boreholes were drilled, of which 2 were re-drills, for a total of 1718m. Most of the drilling was open hole, with a coal intersection being cored in borehole 8 (Figure 7). High permeability caused lost circulation and other severe drilling problems. Caving and poorly consolidated sandstone in both the Jurassic and Triassic forced the premature abandonment of seven of the boreholes. Three of these were abandoned with broken-off equipment left down the hole. Relinquishment Report C.R. 12026 concludes that the White Mountain Area does not have any recognisable potential for containing economic coal at depth less than 200m.

EPC 395 (ATP 395C)

ATP 395C lies approximately 80km to the north west of Hughenden on the northern perimeter of the Permian Galilee Basin and covered 160 sub-blocks. A single rotary drill hole (Figure 7), RDH No. 1 with a total depth of 400m was planned in the north of the prospect. Difficulties establishing satisfactory circulation during drilling caused the borehole to be abandoned at 276.5m. The sequence intersected consisted dominantly of medium to coarse quartzose sandstone with a 1m coal seam at 65m south of West Galilee Project Area.

EPC 398 (ATP 398C, 1981)

Authority to Prospect 398C was granted to Mobil Energy Minerals (Australia) Inc on 28/07/1981. Six (6) open-holes were drilled (Figure 7) with a total metreage of 603m. No coal was intersected by these boreholes.

EPC 1394 & 1526

No company reports were available at the time of writing this report.

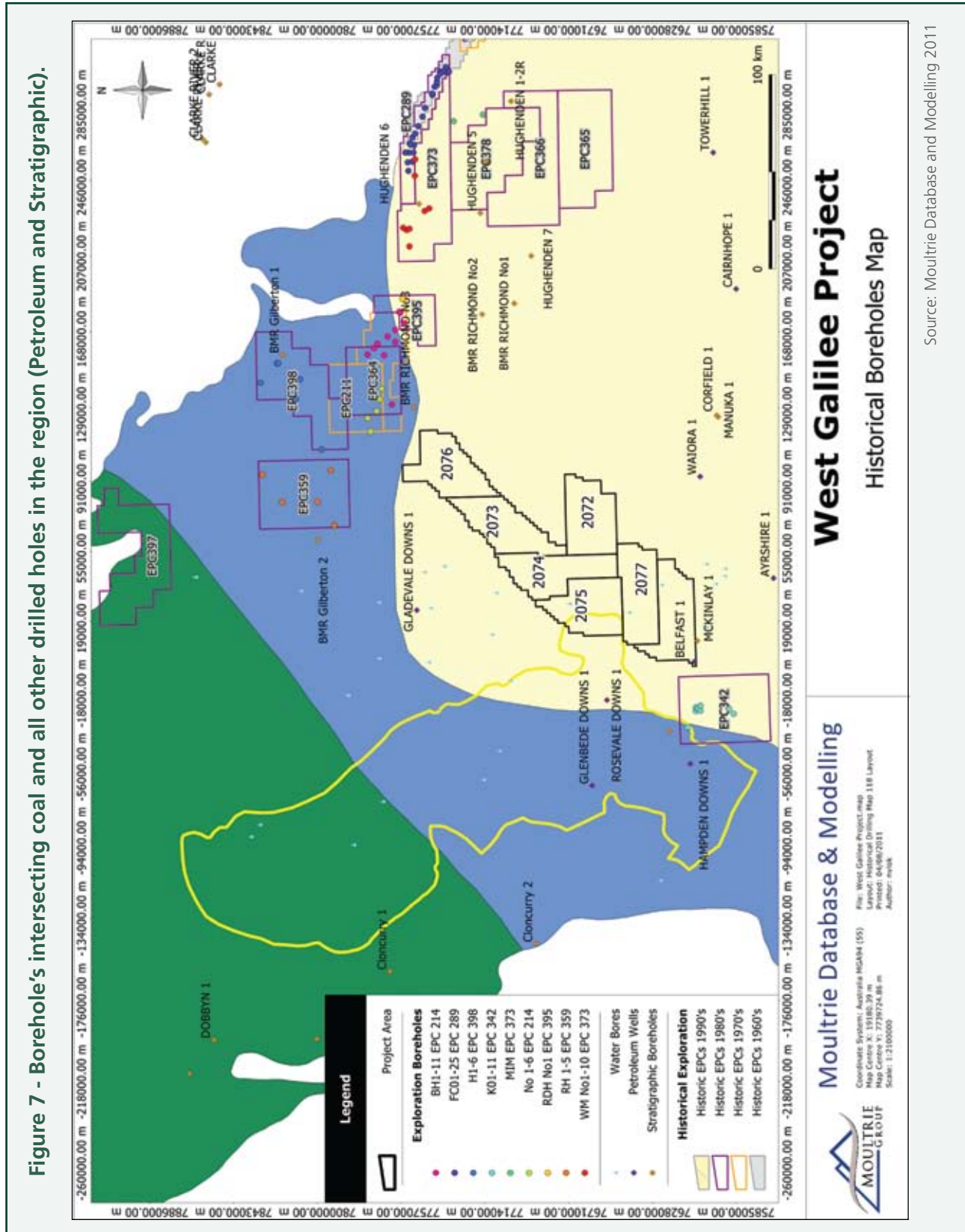
Borehole data

Exploration Drilling

The West Galilee project area has yet to be comprehensively explored, and thus its true coal resource potential is unknown. The exploration programs previously run have included the percussion drilling of 25 holes on ATP289C. This was followed up with the coring and coal quality analysis program, which included another six holes. This program identified the Blantyre Sandstones that have a cumulative coal of around 4m. Further north of the project area, other exploration programs noted trace coal. The EPC application areas are relatively unexplored with regards to coal, petroleum wells, and stratigraphic holes.

Waterbores

Water bores found within a 100km radius of the tenements uncovered records that contained 0.5 - 17m seams at depths between 21 – 1,295.42m. Other bores that intersected coal were documented as interbedded with other sedimentary rocks (siltstones, sandstones and shale) and generally were listed as quite thick units giving no light to the true coal thickness within the record.



Petroleum and Stratigraphic holes

The EPC/EPCA areas are relatively unexplored with regards to coal. No historical coal or petroleum tenements exist. Since 1988 one petroleum well and four stratigraphic wells were drilled in the area with the majority of other drilled holes being waterbores (McConachie et al., 1990).

Below is a brief summary of drilling exploration in and around the EPC/A tenements in north Queensland, compiled from historical reports obtained from the Queensland Digital Exploration Reports (QDEX). It is not intended to be comprehensive, but covers the following: location, Mining Lease (ML) and Mineral Development Licence (MDL) proximity, previous tenure holders, dates, primary exploration targets, number and type of drilling holes, stratigraphic units, and any instances of coal encountered, plus reasons for relinquishment.

The discovery of the Millungera basin led to Geoscience Australia initiating a reinterpretation of some of these petroleum and stratigraphical holes. These reinterpretations have been peer reviewed and have been included with the original exploration reports (Korsch et al, 2011).

Belfast No1 was drilled from August to September 1988 to a depth of 1144m by JHR Oil and Gas Company in search for potential hydrocarbons. The well is located within Authority of Prospect (ATP) 372P, within the northern Eromanga Basin, 120 kilometres south-east of Julia Creek, and was drilled in order to identify potential hydrocarbons contained within a major stratigraphic entrapment. Coal was intersected at 996.70m and had a maximum abundance of 30% in several units until 1030.22m. Both coal intersections were recorded in the Betts Creek beds prior to the commencement of Millungera Basin at 1050m. The well was plugged and abandoned as a water well (JHR Oil and Gas Company, 1988). The stratigraphical intersections noted in the hole are summarised in Table 5.

Table 5 - Stratigraphic of Belfast 1, relevant to the Southern Area of the Project Area for the Eromanga and Galilee Basins

Era	Basin	Period	Epoch	Depth	Formation	Environment	
Mesozoic	Eromanga	Cretaceous	Lower to Upper	Surface	Winton Formation	Rolling Downs Group	Fluvio-lacustrine Coal Swamps
			Lower	146	Mackunda Formation		Marginal Marine
				299	Allaru Mudstone		Shallow Marine
				494	Toolebuc Formation		Restricted Marine
				528	Wallumbilla Formation		Shallow Marine
			663	Cadna-Owie Formation/ Blantyre Formation			Paralic- Coarsening Upwards
		Upper Jurassic to Lower Cretaceous	699	Hooray Sandstone		Meandering and Braiding Stream	
		Jurassic	Upper		Westbourne Formation	Injune Creek Group	Overbank/Lacustrine (Fining Upwards) Braided Stream
			Middle	718	Adori Sandstone		Overbank Deposits Lower Flood Plain (Fining Upwards)
				741	Birkhead Formation		Meandering Stream
	Lower		763	Hutton Formation	Fluvio- Lacustrine Disconformity		
	Galilee	Triassic				Fluvio- Lacustrine Unconformity	
			831	Moolayember Clematis Sandstone MBB		Fluvial Alluvial Plane Unconformity	
		Permian				Fluvio- Lacustrine Major Unconformity	
980			Bandanna Wayang SST				
		1007	Jochmus Betts Creek Beds				
			1053	Arkosic Sandstone	Millungera Basin		
			1104	Granite wash			
			1125	Granite			

Source: (JHR Oil and Gas Company, 1988) and reinterpretation highlighted in black (Korsch et al, 2011)

BMR Gilberton 2 was drilled during June and July 1970 to a depth of 244m by the Bureau of Mineral Resources (BMR). The borehole is located approximately 140km by road northeast of Richmond and was drilled:

- To obtain continuous core of the Jurassic-Cretaceous succession, thus facilitating detailed palynological and lithological examination;
- To test the thickness of the succession and to obtain core of the strata immediately overlying the basement and examine it for evidence of a Lower Jurassic or possibly Triassic age;
- To obtain a complete wireline log of the succession, and;
- To facilitate comparison of the Carpentaria Basin sequence of Smart et al., (1971) with the Northern Eromanga sequence of Vine (1966).

Core samples were collected from 17.25m to 243.88m. Basement was not reached however it was believed to be fairly close. No hydrocarbons were recorded however the Gilbert River Formation had

numerous carbonaceous streaks from 60m to 90.6m. Thin coal bands were recorded at 183m and 202m (Needham et al., 1970).

Rosevale Downs No. 1 was drilled from June to November 1988 to a depth of 770m by JHR Oil and Gas Company in search for potential hydrocarbons. The well is located within Authority of Prospect (ATP) 372P, within the northern Eromanga Basin, 55 kilometres south of Julia Creek. It was drilled on a surface anticline feature determined from a study of Landsat imagery as well as aerial photography and confirmed by surface analysis. The purpose of the well was to test the Late Jurassic to Early Cretaceous sediments of the northern Eromanga Basin as well as the considerable thickness of the underlying pre Eromanga Basin rocks. The Eromanga sequence totalled 573m and commenced at the surface. The Millungera Basin is interpreted to occur from 573m – 770m (Korsch et al., 2011). No hydrocarbons were encountered during drilling and no coal was reported. The well was plugged and abandoned as a water well (JHR Oil and Gas Company, 1988). The stratigraphic intersections noted in the hole are summarised in Table 5.

Table 6 - Stratigraphy from petroleum well Rosevale Downs No.1, east of the project area with the reinterpreted data

Era	Basin	Period	Epoch	Depth	Formation/ Member	Basin	Formation	
Mesozoic	Eromanga	Cretaceous	Lower	Surface	Allaru Mudstone	Eromanga		
				235	Toolebuc Formation		Rolling Downs Group	
				254	Wallumbilla Formation			
				392	Cadna-Owie Formation / Blantyre Sandstones			
			Upper Jurassic to Lower Cretaceous	423	Hooray Sandstone			
Paleozoic	Galilee	Triassic	Upper	533	Moolayember Sandstone	Galilee	Hooray Sandstone	
			Middle	550	Warang Sandstone		Moolayember Sandstone	
				573	Quartzitic Sandstone		Warang Sandstone	
				598	Meta Quartzite	Millungera		
				753	Granite			
				769				

Source: JHR Oil and Gas Co. (1988)

Hampden Downs No. 1 was drilled in July 1988 to a depth of 757m by JHR Oil and Gas Company in search for potential hydrocarbons. The well is located within Authority of Prospect (ATP) 372P, within the northern Eromanga Basin, 105 kilometres south of Julia Creek. It was drilled on a surface anticline

feature determined from a study of Landsat imagery as well as aerial photography and confirmed by surface analysis. The purpose of the well was to test the Late Jurassic to Early Cretaceous sediments of the northern Eromanga Basin as well as the considerable thickness of the underlying pre Eromanga Basin rocks (Table 6). The Millungera Basin sequence was geochemically confirmed to span ~188m commencing at around 562m depth (Korsch et al., 2011). The well encountered trace gas in several zones above the top of quartzite, at 563m. No gas was encountered from the top of quartzite to total depth. No coal was reported. The well was plugged and abandoned as a water well (JHR Oil and Gas Company, 1988).

Table 7 - Stratigraphy from petroleum well Hampden Downs No.1, with the reinterpreted data

Era	Basin	Period	Epoch	Group	Depth		Depth	Reinterpreted	
Mesozoic	Eromanga	Cretaceous	Lower to Upper	Rolling Downs Group					
			Lower		Surface	Mackunda Formation			
					110	Allaru Mudstone			
					310	Toolebuc Formation			
				Upper Jurassic to Lower Cretaceous					
				Jurassic	Upper		475	Hooray Sandstone	
						Westbourne Formation			
			501		Adori Sandstone				
					511	Birkhead Formation			
			Middle		521	Hutton Formation			
					573	Meta Quartzite	560	Hooray Sandstone	
					750	Granite	750	Millungera Basin	

Source: JHR Oil and Gas Co. (1988)

BMR Richmond No3 was drilled during August and September 1969 to a depth of 152m by Bureau of Mineral Resources (BMR). The borehole is located 9.6km southeast of Coalbrook Homestead, beside the Richmond – Stawellton road and was drilled to obtain palynological samples and to correlate the subsurface sequence with the units outcropping to the north. The Gilbert River Formation was located between 25 to 61m and reported to contain coal in the lower section, no thickness determination

was reported. Basement was not reached and only the upper part of the Hampstead Sandstone was penetrated. Based on correlations with sections to the north, basement is probably at a depth of 229m or greater (Grimes and Smart, 1969).

Waioira 1 was drilled in December 1988 to a depth of 1122m by ATCO for Mount Isa Mines Limited and Brisbane Petroleum NL. The well is located within the confines of Authority to Prospect for Petroleum 347 Queensland, within the northern Galilee and Eromanga Basins, 144 kilometres south west of Hughenden. It was drilled as a test of a structure in the northern portion of the Lovelle Depression. Gas shows were found and bands of coal were reported at 1074.73m in a unit ~10m thick. The well was plugged and abandoned as a water well (Nugent et al., 1989)

GSQ McKinlay #1 was drilled during the period July 18 to August 19, 1990 to a depth of 420.96m by the Department of Resource Industries. The borehole is located 200 kilometres south east of Cloncurry and provided a reference section of the Eromanga Basin sequence in the north-western part of the basin. The hole intersected the uppermost Cretaceous units of the Eromanga Basin and did not reach the Galilee Basin. No hydrocarbons were encountered during drilling. The well was plugged and abandoned in response to funding cuts (Hoffmann, 1991).

Corfield 1 was drilled between January and March 1960 to a depth of 1310m by Magellan Petroleum Corporation. The well is located 183m north-west of the Corfield Railway Station and was drilled to obtain a water supply of 1500 gallons per hour at a shallow a depth as possible. The hole was logged to 746m and did not meet the drilling objective. Several two metre lignite intersections were encountered from 1006m to 1035m. Lignite was again intersected at 1250m and reached 4.5m thickness in places to a depth of 1365m; a total cumulative thickness of 25m was apparent over this interval. The Rolling Downs and possibly the Blythesdale Groups were intersected; these contained clay, shale, mudstone and sandstone (Jewell, 1960).

Ayrshire 1 was drilled in July 1985 to a depth of 1966m for ESSO Exploration & Production Aust. Inc. The borehole is located 210 kilometres southwest of Hughenden or 70 kilometres northwest of Winton it was the first of two wells to be drilled as a part of the 1985 Galilee Exploration Program. No hydrocarbons were found however the known coal bearing Wallumbilla Formation was determined to be 770m – 950m, the Birkhead Formation 1132m – 1175m and the Aramac Coal Measures 1555m – 1888m. No lithology log or geophysics was available so the true coal potential could not be assessed. The well was plugged and abandoned as a water well (Newport, 1985).

Weston 1 was drilled in June 1974 to a depth of 1248m for Hematite Petroleum Pty. Ltd. The well is located 62km northwest of Winton and was drilled to test the Permian sequence of a large closed

structure up dip from Lovelle Downs No. 1 as highlighted in seismic surveys (the Wokingham Creek and Ayrshire surveys). Coal was recorded in the Triassic and Permian (likely to be the Joe Joe Group) at depths in the range 1247.55 – 1964.13m. Coal intervals were recorded to range up to a maximum thickness of 4.5m (Watson, 1974).

Geophysical Surveys

Seismic surveys

There were two Seismic surveys run in this region since the 1980s: the Mount Isa Deep Seismic Survey, 2006 and the Isa- Georgetown- Charter Towers Survey, 2007.

The Mount Isa Deep Seismic Survey, 2006

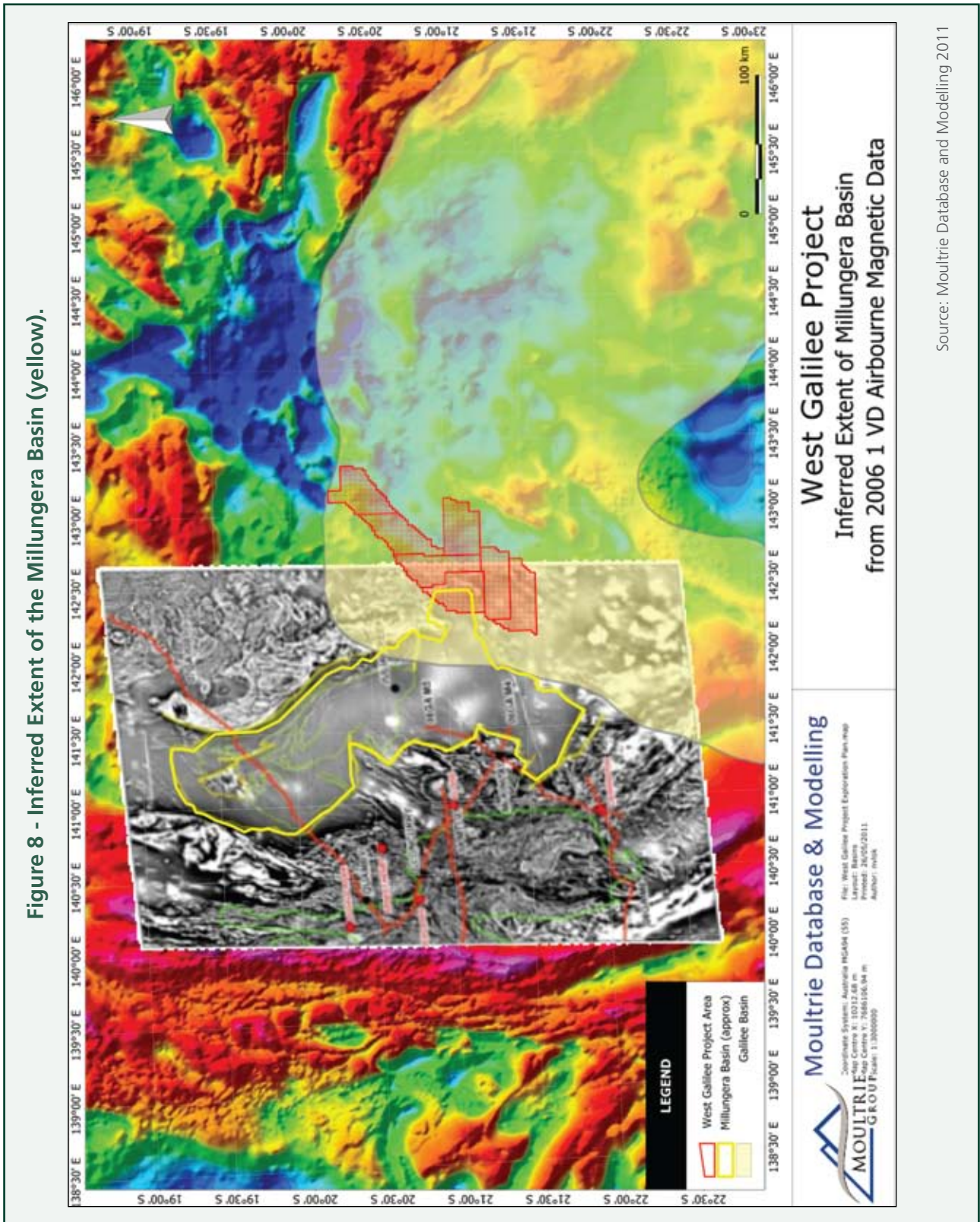
The aim of this project was to define structure and how they relate to the economic mineral deposits in the region. This project was run by the Geological Survey of Queensland, Geoscience Australia and the company now known as OZ Minerals (ASX:OZL).

The Isa-Georgetown-Charters Towers Survey, 2007

The aim of this project was to link the Mount Isa Survey with Eastern Queensland. This project was run by the Geological Survey of Queensland and Geoscience Australia. This survey runs due north of the West Galilee project area.

Seismic line 07GA-IG1 identified the sedimentary basin now named the Millungera Basin (Figure 8-10). The results of this line showed three internal sequences as two strong reflectors separated by a poorly reflective unit; strong shallow dipping reflectors in the west; Complex structure and faults in the east; and a series of thrust faults on east margin extending down to middle crust, (Hutton Et al, 2008). The strong reflectors may be interpreted as coal beds.

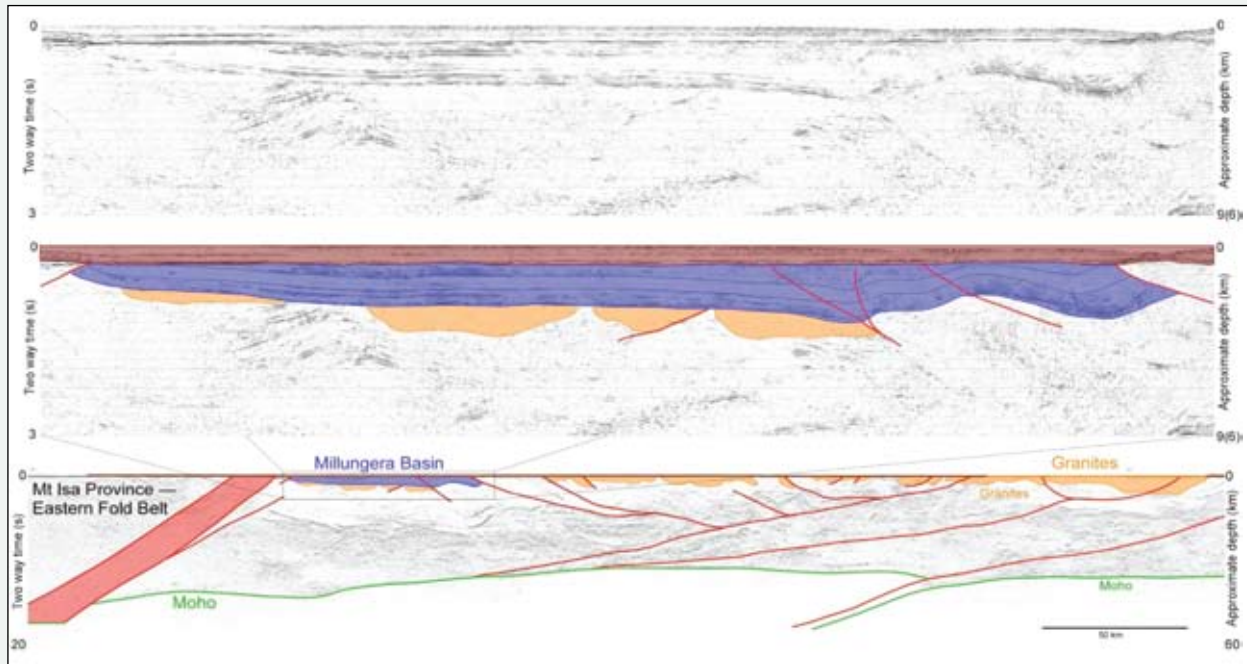
Figure 8 - Inferred Extent of the Millungera Basin (yellow).



Source: Moultrie Database and Modelling 2011

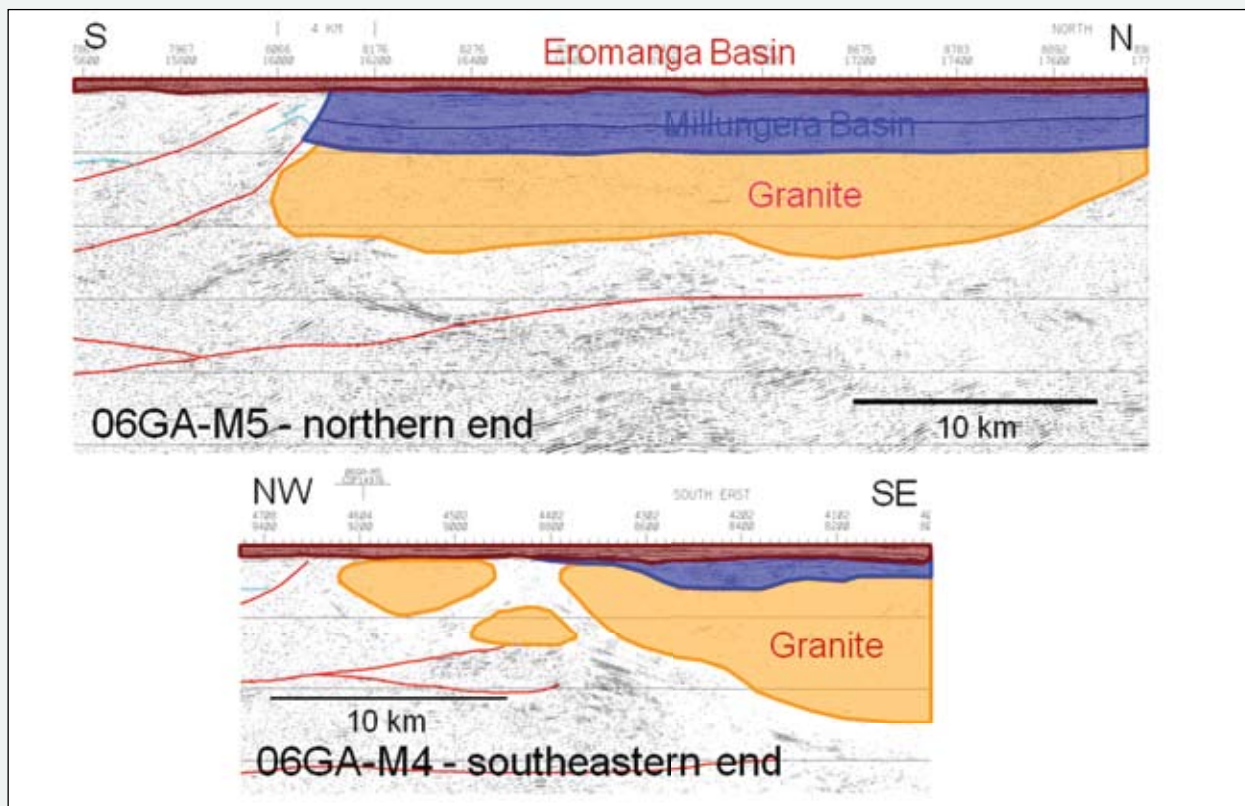
Figure 8 illustrates the first vertical derivative of airborne magnetic data. It is observed that similar coloured units extend southeast of the inferred boundary (into EPC2077 and 2078).

Figure 9 - Interpretation of the Regional Seismic Survey of Seismic Line 07GA-IG, (Hutton and Korsch, 2008)



Source: Hutton and Korsch (2008).

Figure 10 - Enlargement of part of Seismic Line 07GA-IG1, and Lines 06GA-M4/M5 (Hutton and Korsch, 2008)



Source: Hutton and Korsch (2008).

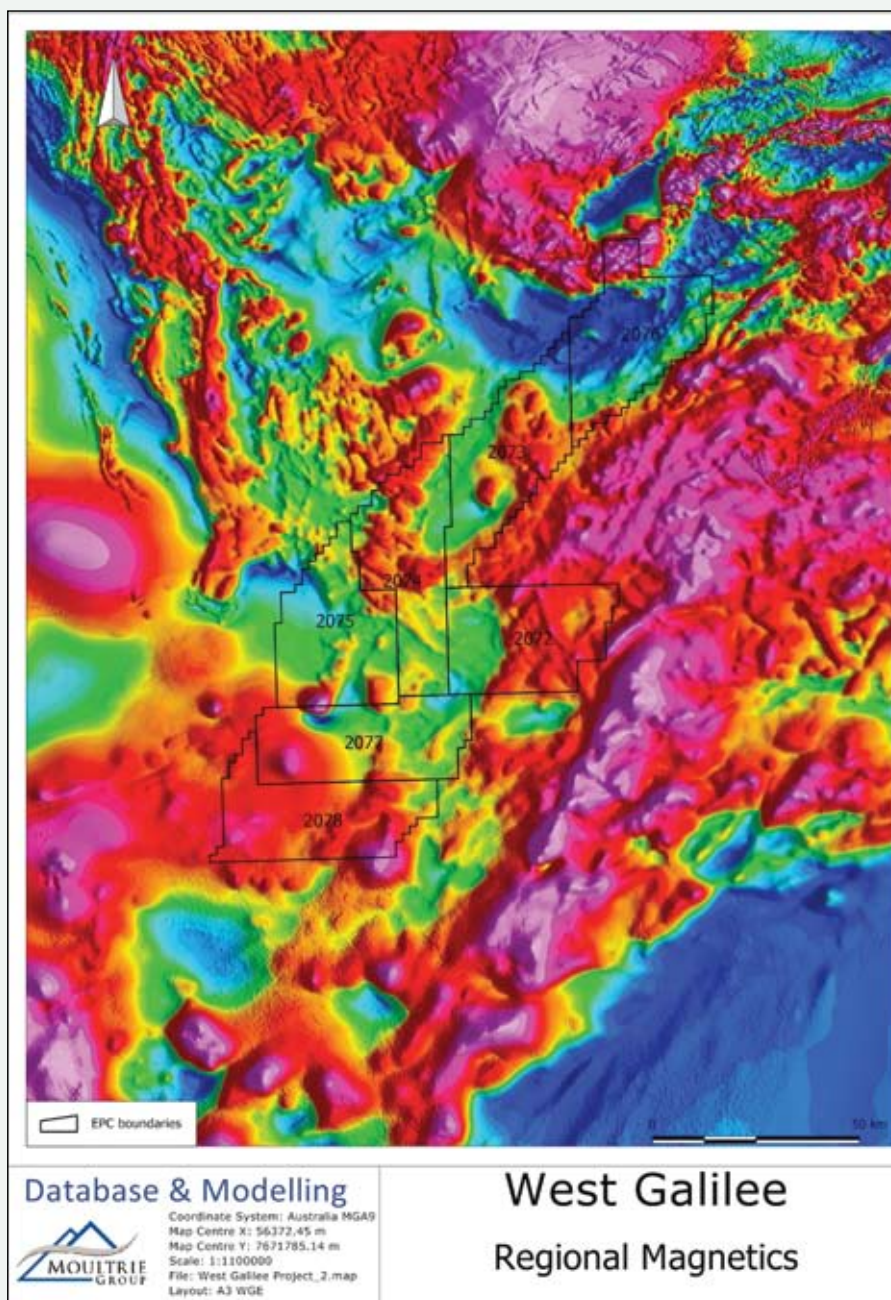
Regional Aeromagnetic and Gravimetric Surveys

A regional aeromagnetic survey was run by the Department of Minerals and Environmental Research in 2009, and a regional gravity survey was run by the Department of Minerals and Environmental Research in 2007. A map of the aeromagnetic response and the regional gravity survey in the vicinity of EPC2072, EPC2073, EPC2074, EPCA2075, EPC2076, EPC2077, and EPC2078 are shown in Figure 11 and Figure 12.

These geophysical surveys indicate that both the images are dominated by surface and new surface influences of the surrounding igneous and volcanic rock units; however the magnetic

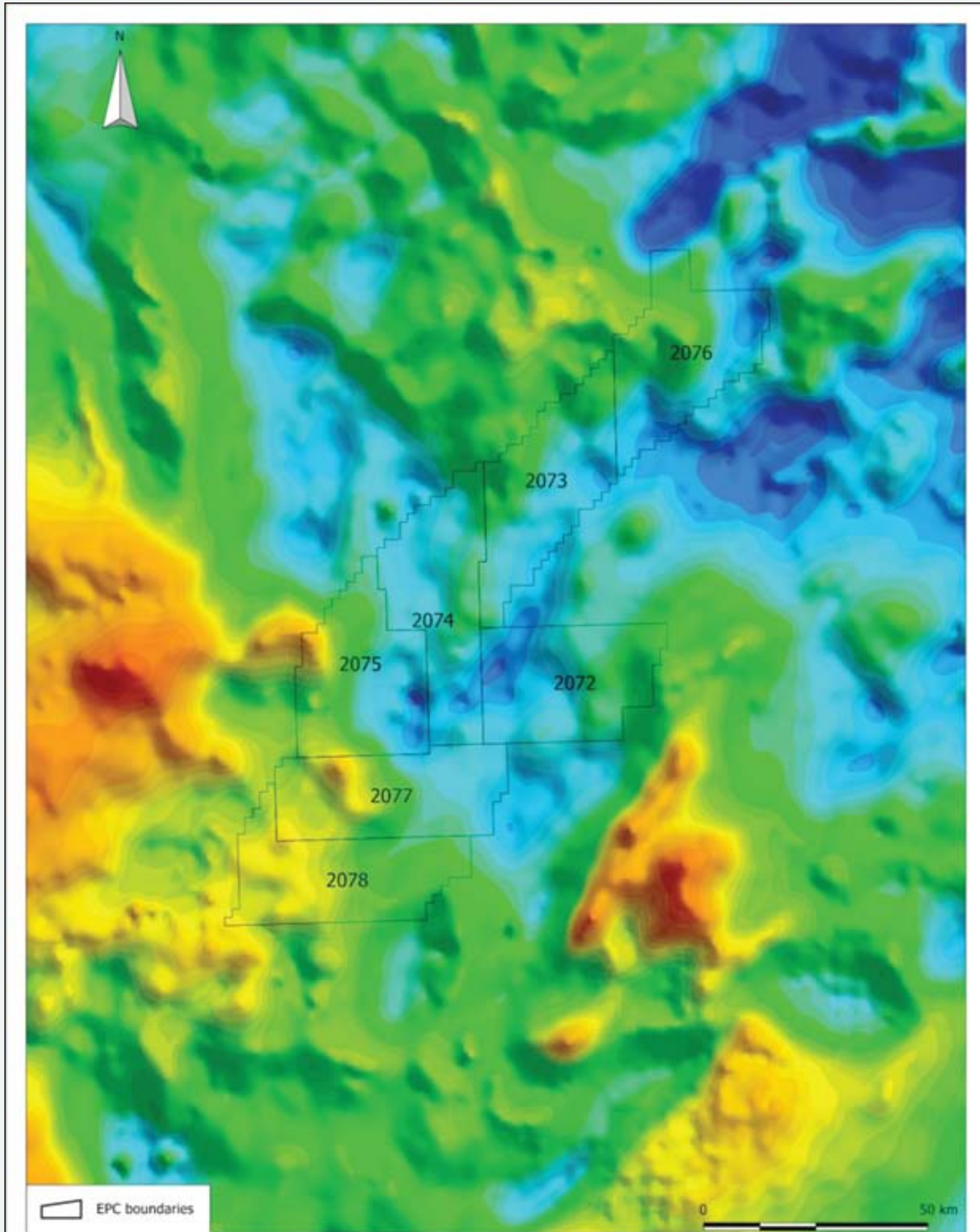
image does highlight magnetically quiet zones, especially in the north-western portion of the EPCA2075. Another noteworthy area is the western portion of the EPC2072; here sediments appear thick and magnetically quiet too.

Figure 11 - Department of Mineral and Energy's 2009 Aeromagnetic Surveys of Queensland.



Source: Moultrie Database and Modelling 2011

Figure 12 - Department of Mineral and Energy's 2007 Gravity Survey Surveys of Queensland.



Database & Modelling



Coordinate System: Australia MGA9
 Map Centre X: 56372.45 m
 Map Centre Y: 7671785.14 m
 Scale: 1:1100000
 File: West Galilee Project_2.map
 Layout: A3 WGE

West Galilee
 Regional Gravity

Source: Moultrie Database and Modelling 2011

Coal Quality

In ATP289C twenty five Percussion exploration holes were drilled and six were cored. The cored holes were analysed with a full wash analysis on FC2A (Table 8) and dry air based analysis were performed on all six samples as shown in Table 8.

Table 8 - ATP 289C Coal Quality Analysis, Air Dried Basis

Hole	Sample Number	From	To	Thickness	Mass g	Inherent Moisture %	Ash%	Volatile Matter %	Fixed Carbon %	Total Sulphur %	Specific Energy Kcal	RD
FC2A	QH12001	14.8	15.3	0.4	859	4.7	35.8	22.1	42.1	0.5	1,883	1.83
FC2A	QH 12002	15.4	16.4	1.0	2088	9.0	27.7	28.2	44.1	0.3	2,176	1.74
FC2A	QH 12003	16.4	17.0	0.6	1277	9.8	29.3	25.7	45.0	0.4	2,103	1.55
FC2A	QH 12004	17.0	18.3	1.3	2501	9.6	25.3	24.6	50.2	0.4	2,110	1.65
FC15	QH 12023	224.4	226.0	1.6	3349	7.7	28.8	19.6	43.9	0.9	4,623	1.66
FC15	QH 12024	246.9	247.9	1.0	2135	9.1	15.5	22.7	52.7	0.3	5,629	1.54
FC17	QH 12025	257.4	258.6	1.2	2596	8.8	22.2	22.4	46.6	0.6	5,478	1.6
FC17	QH 12026	267.3	269.0	1.7	2965	8.6	15.0	124.8	51.6	0.2	5,703	1.53
FC17	QH 12027	277.7	278.7	0.9	1502	9.0	13.6	27.2	51.0	0.4	5,972	1.48
FC18	QH 12028	226.2	227.2	1.0	1943	10.0	24.5	22.2	43.3	0.3	4,702	1.6
FC18	QH 12029	222.4	223.4	1.0	2264	9.2	26.9	24.3	39.6	0.4	4,442	1.63
FC08A	QH 12030	62.5	63.3	0.8	1539	10.4	19.0	28.5	42.1	0.6	5,199	1.53
FC08A	QH 12031	63.3	64.5	1.3	1681	10.6	23.3	26.2	39.9	0.3	4,771	1.58
FC08A	QH 12032	107.4	108.3	0.9	1754	10.6	16.8	25.1	47.5	0.5	5,449	1.59
FC09A	QH 12033	108.3	109.4	1.1	2452	10.4	12.8	27.1	49.7	0.4	5,808	1.5
FC09A	QH 12034	109.4	110.7	1.3	26004	10.6	17.8	26.6	45.0	0.4	5,347	1.55

Source: Robertson (1981c)

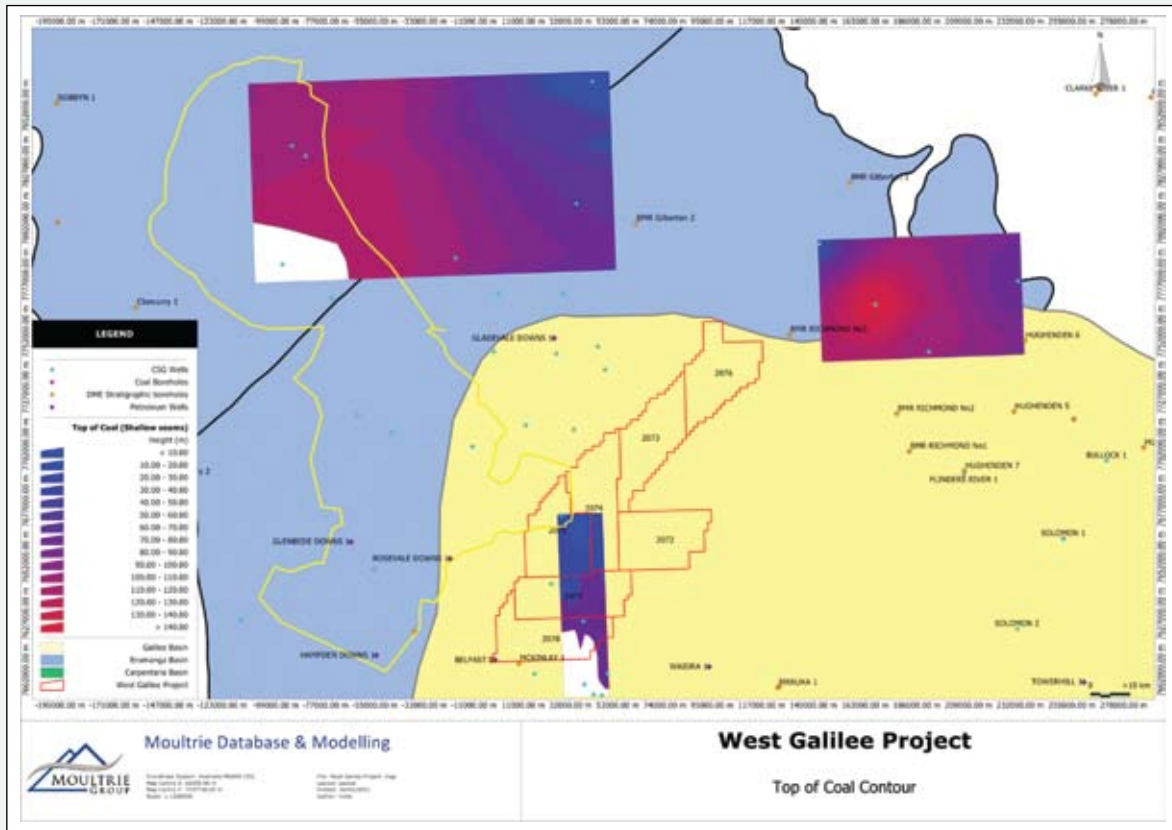
Results

The waterbores indicated that there are 193 holes that have recorded coal. The intersected thicknesses range up to 480m, which is highly unlikely to occur. A more likely scenario is that thin coal horizons (<1m) are interbedded with a variety of lithologies over the thick intersects described in the registered waterbores. In the petroleum and stratigraphical holes the focus of the logging again was not on coal.

The exploration drillholes in proximity to the project area show a 4m coal intersection of coal in EPC289 which is on the margin of the Galilee Basin. There remains the potential for this to occur on this project area as it is on the margin of the same basin.

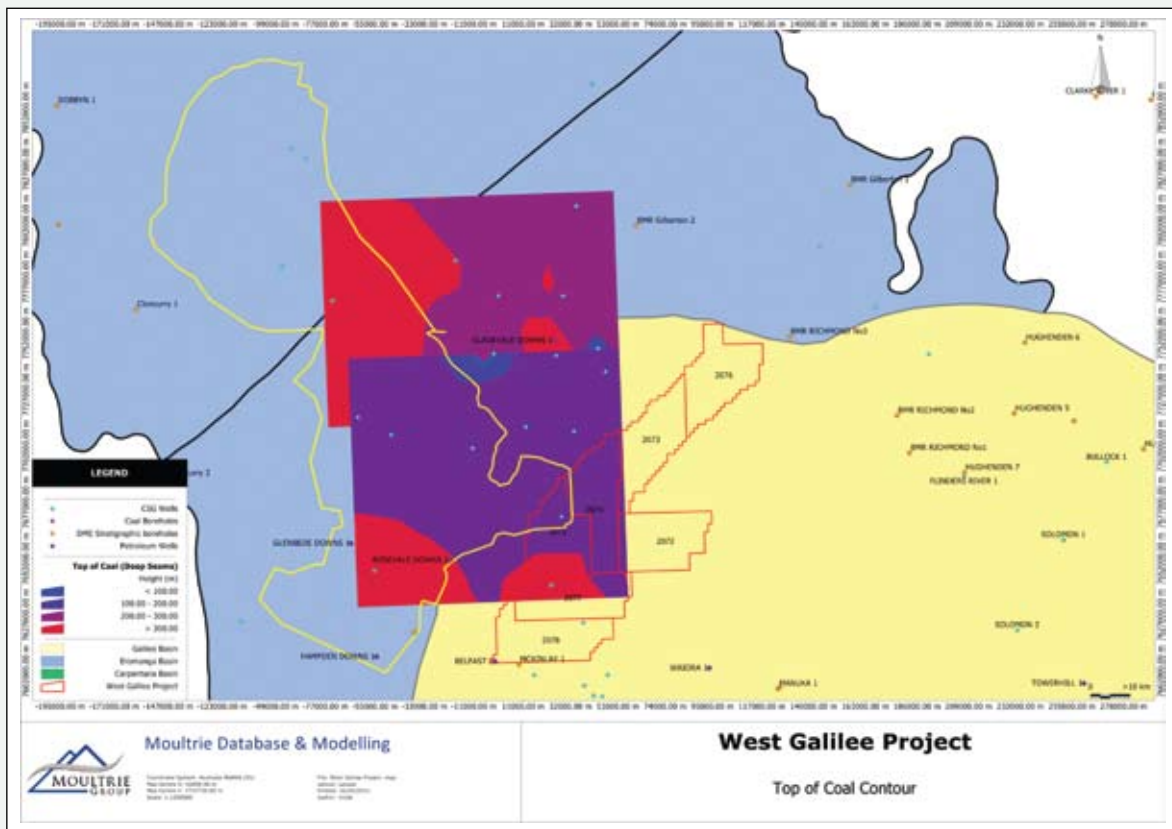
A structure contour plot of observed coal in the shallow coal seams (Eromanga Basin) follows the expected trend with local highs below EPCA2075, EPC2074 and EPC2076 (Figure 13). A similar contour plot to the top of observed coal in the deep coal seams (Galilee Basin) follows the expected trend with local highs below EPCA2075, EPC2074 and EPC2076 (Figure 14).

Figure 13 – Top of Coal Seams for the shallow coal seams recorded (Eromanga Basin)



Source: Moultrie Database and Modelling 2011

Figure 14 - Top of Coal Seams for the shallow coal seams recorded (Galilee Basin)



Source: Moultrie Database and Modelling 2011

Exploration Potential

There are three potential coal-bearing basins in the project area the Eromanga Basin which overlies the Galilee Basin and the newly defined Millungera Basin.

The Eromanga basin is known to contain coal seams that can be economically beneficiated to make domestic and export thermal coal products. The main coal-bearing seams are contained within the Winton Formation; with lesser thickness also recorded in the Mackunda Formation; the Westbourne Formation and the Evergreen Formation (refer to Exploration Target range tonnages calculated in Table 9). Petroleum wells and surface mapping has defined the Winton formation is at the surface in the south of the project area and should be targeted on EPC 2078 as it is known to contain a cumulative thickness of thermal quality coal of 4m and it covers an area of 880km²; the Mackunda Formation is on surface on EPC 2077 and below the Winton Formation in EPC 2078 has a maximum depth of 150m in the southern section of the Project area; the Westbourne Formation may occur at around 700m in the south and the Evergreen Formation equivalent to the Hutton Formation occurs at around 760m in the south.

The Galilee Basin subcrops to the north of this project area and should be targeted at the shallow margin on EPC 2076. The historical exploration in the surrounding area recorded the Betts Creek Beds on this margin with seams up to 4m thick.

The Millungera basin is one of the basins of interest of this study, however very little information is available as it was only first identified in 2008 by the Queensland Government Survey Team. The Millungera Basin is of a similar morphology to the Drummond and the Galilee Basin. The Galilee Basin is closest in proximity and contains significant coal seams. This basin is estimated to be about 300m deep and underlies about 370km² of EPCA 2075. It is recommended that a rotary chip hole be drilled to define a coal resource for this basin within the EPC. The Millungera Basin sits unconformably on potentially high heat-producing granite but is covered by Eromanga Basin sedimentary rocks. This geological setting is ideal for the formation of reservoirs of geothermal energy. Additionally a possibility exists that the heating from the granitic source potentially upgraded the coal to a coking coal.

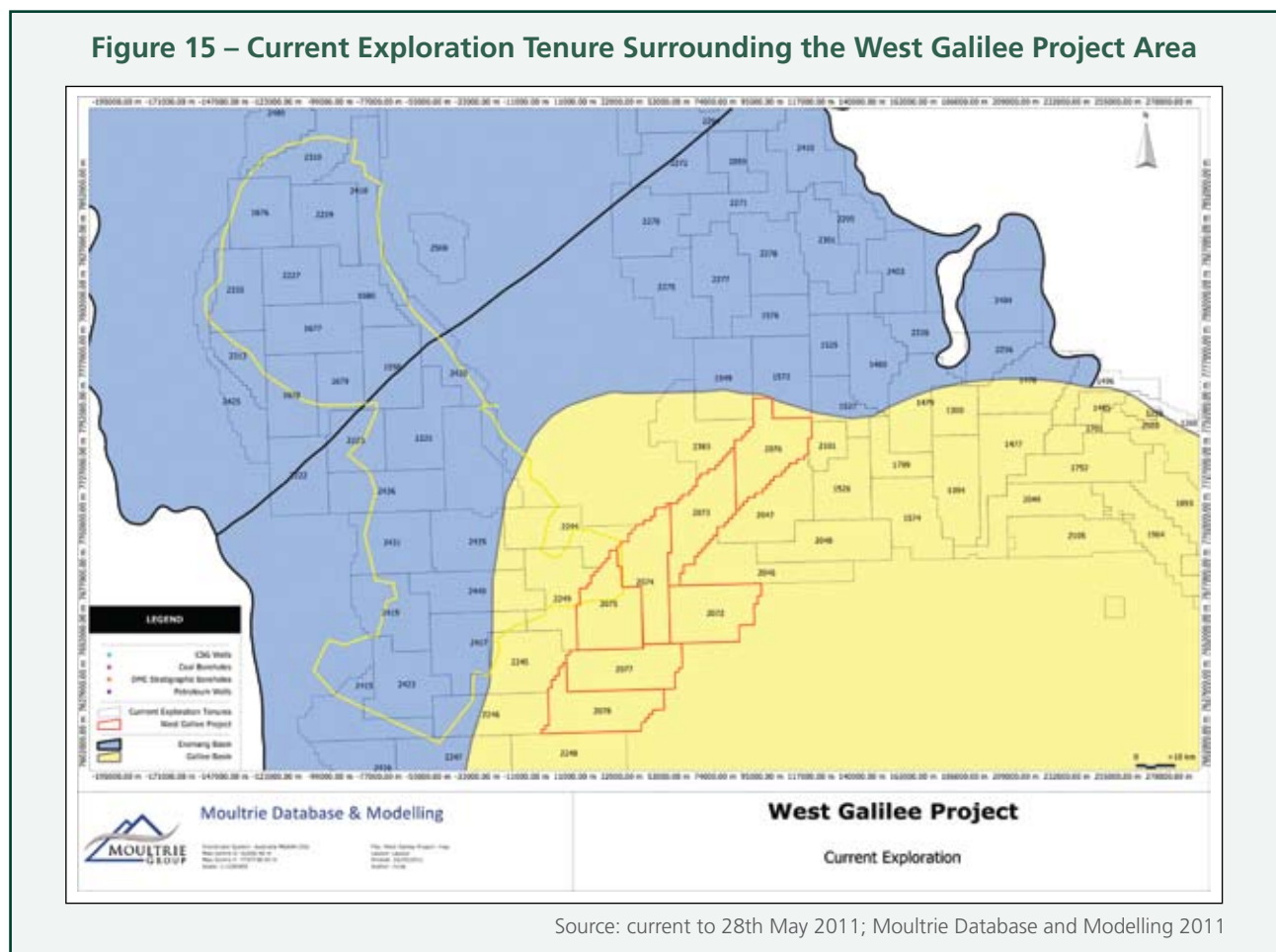
Table 9 - Calculation of Exploration Target Tonnage Range of the West Galilee Project Area

Tenement	Formation	Area (m ²)	Average Cumulative Thickness (m)	Relative Density	Gross Tonnage	Unexpected Geological Loss % ²	Exploration Target (Mt) ³
				(Kg/m ³ ; adb)	Mt ¹		
EPC 2072	Allaru	33,000,000	2.0	1.55	102,300,000	35	1-50
EPC 2073							-
EPC 2074							-
EPCA2075							-
EPC 2076	Allaru	45,000,000	2.0	1.55	139,500,000	35	0-80
EPC 2077							-
EPC 2078	Winton	108,000,000	3.0	1.50	486,000,000	30	100-300
Total							100-430

Notes

- 1 This figure represents a non-JORC working calculation of total coal in ground, given no constraints.
- 2 Unexpected geological loss mainly due to undiscovered, presumed, seam splitting and thinning over large distances between boreholes.
- 3 It 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 JORC-standard resource however there is considerable evidence to support the current Exploration Tonnage calculations, and the sufficient coal thicknesses interpreted from historic drilling to warrant further investigation.

It has been noted that beginning in late 2010, the region has experienced a sudden increase in interest and exploration. Figure 15 illustrates the increased exploration activity in the area.



Prospectivity

Despite numerous evidence of coal seam intersections in several rock formations within and surrounding the project area, insufficient data currently exists to estimate resources of any category, but the project area has potential to host economic coal deposits. In order to provide some indication of prospectivity rank, so as to direct exploration efforts, Table 10, below, lists the prospectivity of each tenement, based on several subjective criteria.

Table 10 – Baru Resources Pty Ltd Tenure Prospectivity

Tenure	Prospectivity Rating	Comments
2076	Low to Medium	Close to thicker water bore indications of coal
2078	Low to Medium	Has Winton Formation subcrop in tenement
2075	Low to Medium	Potential shallower Millungera Basin sedimentary rocks
2077	Low	Thin coals indicated
2074	Low	Thin coals indicated
2073	Low	Thin coals indicated
2072	Low	Deep Galilee coal intersections >500m

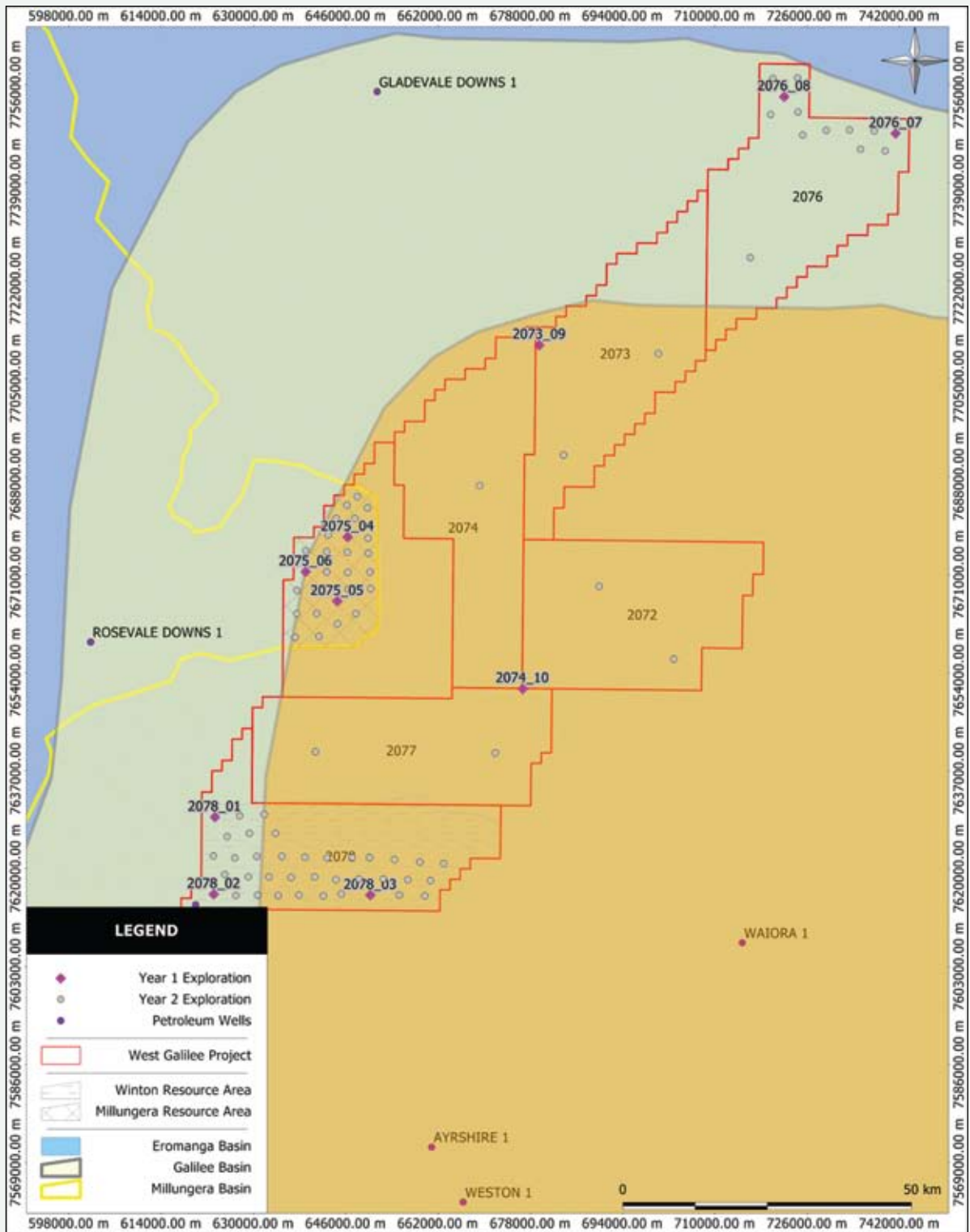
Source: Moultrie Database and Modelling 2011

Recommendations

Despite numerous evidence of coal seam intersections in several rock formations within and surrounding the project area, insufficient data currently exists to estimate resources for all of the tenures, but the project area has potential to host economic thermal coal deposits.

In this instance, a reconnaissance rotary chip borehole program targeting the three exploration targets outlined is recommended. In year 1, a ten (10) borehole program has been outlined to moderate depths, eight (8) of these are aimed at specifically targeting coal Formations. Two (2) holes have been planned to be drilled to basement as stratigraphic holes for this project area (Figure 16). Detail pertaining to this proposed exploration program has been supplied to Baru Exploration Pty Ltd under a separate cover.

Figure 16 – Current Exploration Proposed Years 1 and 2



Moultrie Database & Modelling



Coordinate System: Australia MGA84 (54)
 Map Centre X: 670567.96 m
 Map Centre Y: 7663122.68 m
 Scale: 1:830000
 File: West Galilee Project Exploration Plan.map
 Layout: Exploration Plan Layout
 Printed: 30/05/2011
 Author: mvlq

West Galilee Project

EPC 2072, 2073, 2074, 2076,
 2077, 2078 & EPCA 2075.
 Year 1 & 2: Exploration Map

Source: Moultrie Database and Modelling 2011

All the boreholes planned in that program are recommended to be logged by downhole geophysical techniques and should generate sufficient targets and enable more detailed drilling or seismic programs to be devised.

Year 1 Predictions

Table 11 below, shows the predicted total depth of the targeted sequences for ten (10) rotary chip boreholes, to be supported by detailed downhole geophysical logging runs. These predictions are only preliminary as they are predicted from historical data; the predictions will increase in accuracy as drilling progresses.

Table 11 – Predicted Depths of Coal Bearing Formations Targeted

BH ID	Year	EPC	Formation	Basin	Formation	Basin	Depth	Reference
2078_01	1	2078	Winton	Eromanga	Mackunda	Eromanga	150-300	Belfast # 1
2078_02	1	2078	Winton	Eromanga	Mackunda	Eromanga	150-300	Belfast # 1
2078_03	1	2078	Winton	Eromanga	Mackunda	Eromanga	150-300	Belfast # 1
2075_04	1	2075	Mackunda	Eromanga		Millungera	300-600	Rosevale Downs #1
2075_05	1	2075	Mackunda	Eromanga		Millungera	300-600	Rosevale Downs #1
2075_03_06	1	2075	Mackunda	Eromanga		Millungera	300-600	Rosevale Downs #1
2076_07	1	2076			Betts Creek Beds	Galilee	<500	Gladevale Downs #1
2076_08	1	2076			Betts Creek Beds	Galilee	<500	Gladevale Downs #1
2073_09	1	2073	Stratigraphic				1000m	
2074_10	1	2074	Stratigraphic				1000m	

Year 2 Exploration Plan

Year 2 exploration plan cannot fully be developed until the completion of Year 1 drilling. The second year of drilling will be dependent on the coal bearing formations identified in Year 1 exploration. It is intended that if the above mentioned formations are intersected and that the coal potential is as expected then the Year 2 exploration program will be ramped up into a large drilling program within the targeted areas with accompanied coal analysis. Figure 16 outlines possible borehole locations for Year 2, based on approximately 60 rotary holes, location and numbers of cored holes have not been determined at this stage.

Sampling requirements

The coal quality samples need to be analysed for both raw and clean properties, below is the minimum recommended analysis. The data gathered in the year 1 exploration program would define the seam and ply distribution and frequency. The sampling regime is to be completed on a ply basis in order to determine the most economic seams for beneficiation purposes.

The result of the analysis would be to create a cumulative yield to ash percentage curve to determine the optimal product that can be created from this resource.

The minimum Coal Quality analyses recommended are outlined in Table 12 below.

Table 12 – Sample Recommendations

Boreholes	All Core holes
Core Diameter	100mm
Raw Analysis- Ply Basis	Moisture Holding Capacity
	Proximate
	Proximate Analysis TS Total Sulphur
	GCV
	Gross Calorific Value
	Nitrogen
	Nitrogen HGI Hardgrove Grindability Index
	AFT (Red)
	Ash Fusibility Temperatures – Reduction Phosphorus
	Ash Analysis
	Ash Analysis Trace Element Analysis suite
Wash Analysis - Composite	Proximate analysis
	Phosphorous
	Total Sulphur
	Relative Density
	Gross Calorific value
	Carbon Dioxide
	Nitrogen
	Ash Analysis
	Ash Fusibility Temperatures – Reduction only
Trace Element Analysis	
Float at RD	1.30; 1.35; 1.40; 1.45; 1.50; 1.55; 1.60; 1.70; 1.80; 2.00

Drilling Costs

The Drill Rig costs can be broken down into

- Rig mobilisation rate;
- Rig daily rate;
- Rate per metre drilled, and
- Rig demobilisation rate.

Other Drilling/Field Costs (not included in the estimation)

- Field Geologist & Equipment;
- Geophysical Logger & Equipment;
- Surveyor
- Cultural Heritage & Native Title clearances;
- Access to Landowners Property;
- Water Supply;
- Earth excavator equipment dependent on Environmental Plan and rehabilitation requirements;
- Accommodation etc.

Sampling Costs

- Sampling Supplies;
- Transportation of Samples to Laboratory;
- Analysis and storage costs;
- Analytical interpretation.

Estimated Drilling and Coal Quality Expenditure

Depending upon the circumstances of the public float the difference between the minimum and maximum amount of money available to execute this exploration program will vary between A\$1.95M and A\$3.05M, and will mostly be accommodated through extra drilling, especially in EPC 2078.

Table 13, below, outlines the planned expenditure for Year 1, regardless of the capital raising.

Table 14 estimates the exploration expenditure for Year 2, at the Minimum Subscription (or funds in excess of the Minimum Subscription), and Table 15 is for an enlarged program if the Maximum Subscription is achieved. The costs per borehole have been scaled to include a proportional cost for site clearing, cultural heritage surveys, and landowner compensation.

Table 13 – Estimated Expenditure for Year 1 of the Exploration Plan for the West Galilee Project regardless of whether the Minimum Subscription or Maximum Subscription is achieved

Year	EPC	Type of Drilling	Quantity	Cost	Subtotal
Year 1	EPC 2078	Rotary Chip	3	\$25,000	\$75,000
	EPC 2075	Rotary Chip	3	\$25,000	\$75,000
	EPC 2076	Rotary Chip	2	\$45,000	\$90,000
	EPC 2073	Rotary Chip	1	\$100,000	\$100,000
	EPC 2074	Rotary Chip	1	\$100,000	\$100,000
	All	Contractor Expenses	4	\$50,000	\$200,000
	All	Mapping and Surveying	4	\$15,000	\$60,000
	All	Downhole Geophysical Logging	4	\$50,000	\$200,000
	All	Reporting and Miscellaneous	4	\$10,000	\$40,000
					\$940,000

*CQ analysis is approximately \$30,000 per cored seam.

Note these costs are indicative and should not be interpreted as a quote

Table 14 – Estimated Expenditure for Year 2 of the Exploration Plan for the West Galilee Project, assuming the Minimum Subscription is achieved (or funds in excess of the Minimum Subscription)

Year	EPC	Type of Drilling	Quantity	Cost	Subtotal
Year 2	EPC 2078	Rotary Chip	2	\$25,000	\$50,000
	EPC 2075	Rotary Chip	1	\$25,000	\$25,000
	EPC 2076	Rotary Chip	1	\$25,000	\$25,000
	EPC 2074	Partially Cored	1	\$100,000	\$100,000
	EPC 2072	Partially Cored	1	\$100,000	\$100,000
	EPC 2077	Partially Cored	1	\$100,000	\$100,000
	All	Contractor Expenses	4	\$40,000	\$160,000
	All	Mapping and Surveying	4	\$10,000	\$40,000
	All	Downhole Geophysical Logging	4	\$45,000	\$180,000
	All	Reporting and Miscellaneous	4	\$10,000	\$40,000
					\$820,000

Table 15 – Estimated Expenditure for Year 2 of the Exploration Plan for the West Galilee Project, assuming the Maximum Subscription is achieved

Year	EPC	Type of Drilling	Quantity	Cost	Subtotal
Year 2	EPC 2078	Rotary Chip	5	\$25,000	\$125,000
	EPC 2075	Rotary Chip	5	\$25,000	\$125,000
	EPC 2076	Rotary Chip	5	\$40,000	\$200,000
	EPC 2073	Partially Cored	2	\$100,000*	\$200,000
	EPC 2074	Partially Cored	2	\$100,000	\$200,000
	EPC 2072	Partially Cored	3	\$100,000	\$300,000
	EPC 2077	Partially Cored	3	\$100,000	\$300,000
	All	Contractor Expenses	4	\$70,000	\$280,000
	All	Mapping and Surveying	4	\$15,000	\$60,000
	All	Downhole Geophysical Logging	4	\$70,000	\$280,000
	All	Reporting and Miscellaneous	4	\$10,000	\$40,000
					\$2,110,000

*CQ analysis is approximately \$30,000 per cored seam.

Note these costs are indicative and should not be interpreted as a quote

Future Exploration

Further drilling in these tenements would be required in year 3 to 5 including a possible 2D seismic program and a 200mm large diameter coal quality testing program, which will be required for detailed coal processing simulations.

Technical Glossary

- Alluvium:** Sediments transported and deposited by running water.
- Anticline:** A fold, enclosing in any direction, in which the older rocks occupy the core.
- Basin:** 1. A synclinal structure with a sub-circular outcrop 2. A topographical depression containing, or capable of receiving, sediment.
- Borehole:** A hole drilled for exploration or exploitative purposes.
- Coal:** A combustible, organoclastic, sedimentary rock containing >50% by weight of carbonaceous material and moisture and composed mainly of lithified plant remains.
- Coal Measures:** A series of strata containing economically workable coal seams.
- Coal Resource Estimation:**
- Inferred;** An 'Inferred Mineral Resource' is that part of a Mineral Resource for which

tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

Indicated;

An 'Indicated Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

Measured;

A 'Measured Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Competent Person:

A 'Competent Person' is a person who is a Member or Fellow of The Australasian Institute of Mining and Metallurgy, or of the Australian Institute of Geoscientists, or of a 'Recognised Overseas Professional Organisation' ('ROPO') included in a list promulgated from time to time. A 'Competent Person' must have a minimum of five years experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which that person is undertaking.

Cretaceous:

The youngest period of the Mesozoic Era, from 145.6 million to 65 million years ago, characterized by the greatest development and subsequent extinction of dinosaurs and the advent of flowering plants and modern insects.

CSN:

Crucible Swelling Number; A parameter indicating the suitability of coal for coke manufacture, involving the measurement of the profile of the coke residue after heating a small sample of coal to 800°C under standard conditions.

Deposition:	The settling from suspension of transported sediments. Also, the precipitation of chemical sediments from mineral rich waters.
Exploration Target Tonnage Range:	Calculation of tonnage as set out by the coal guidelines of Australia. The quantification of the Inventory coal for an area, within a coal resource, and the level of confidence of the extrapolation of data used in this calculation.
Fault:	A discontinuous surface across which there has been shear displacement.
Fluvial:	pertaining to a river or stream: fluvial deposits.
Formation:	A group of beds used in lithostratigraphy, the smallest unit mappable on a reasonable scale.
Independent Geologists Report:	
	A report compiled by a geologist who is not affiliated with the ownership of the exploration permit in question. The report will contain an 'Exploration Target Tonnage' or a 'Mineral Resource Estimate' in line with the JORC code.
Intrusion:	An igneous rock body that formed from magma that forced its way into, through or between subsurface rock units
JORC:	Australasian Joint Ore Reserves Committee (JORC), which is sponsored by the Australian mining industry and its professional organisations. The Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code) is widely accepted as a standard for professional reporting purposes.
Jurassic:	Noting or pertaining to a period of the Mesozoic Epoch, occurring from 190 to 140 million years ago and characterized by an abundance of dinosaurs and the advent of birds and mammals.
Lacustrine:	Formed at the bottom or along the shore of lakes, as geological strata.
Mineral Resource:	A 'Mineral Resource' is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
Outcrop:	the total area over which a particular rock unit occurs at the surface.

- Permian:** Of, denoting, or formed in the last period of the Palaeozoic era, between the Carboniferous and Triassic periods, which lasted for 60 million years.
- Pyroclastic:** Composed chiefly of rock fragments of explosive origin, especially those associated with explosive volcanic eruptions. Volcanic ash, obsidian, and pumice are examples of pyroclastic materials.
- Point of Observation:** A Borehole which contains Coal Quality Analysis and or downhole geophysical survey.
- Reefs:** A ridge of rocks or sand, often of coral debris, at or near the surface of the water.
- Syncline:** A fold, enclosing in any direction, in which the youngest rocks occupy the core.
- Tectonics:** The study of processes that move and deform Earth's crust.
- Tertiary:** Noting or pertaining to the period forming the earlier part of the Cenozoic Era, occurring from 65 million to 2 million years ago, characterized by the development and proliferation of mammals.
- Triassic:** Noting or pertaining to a period of the Mesozoic Era, occurring from 230 to 190 million years ago and characterized by the advent of dinosaurs and coniferous forests.
- Tuff:** A fragmental rock consisting of the smaller kinds of volcanic detritus, such as ash or cinder, usually more or less stratified.
- Quaternary:** Noting or pertaining to the present period of earth history, forming the latter part of the Cainozoic Era, originating about 2 million years ago and including the Recent and Pleistocene Epochs.

References

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9. Legal Tenements Report

3 August 2011

The Directors

Baru Resources Ltd

C/- Suite 304, 22 St Kilda Road

St Kilda VIC 3182

Dear Sirs,

Legal Tenements Report

This report has been prepared for inclusion in the Prospectus to be dated on or about 3 August 2011 and issued by Baru Resources Ltd ACN 147 324 847 (**Company**) for the public offer of up to 30 million fully paid ordinary Shares at an issue price of \$0.20 each to raise up to \$6,000,000 (**Offer**) to be lodged with the Australian Securities and Investments Commission.

Enquiries Undertaken

A schedule of tenements (**Schedule**) setting out salient information about the Tenements in which the Company holds the Tenement Interest accompanies this report.

We have undertaken the following searches and enquiries in relation to the Tenements (**Searches**):

1. Copies of the “public enquiry reports” for each of the Queensland permits from Department of Employment, Economic Development and Innovation (**DEEDI**) searches;
2. Copies of National Native Title Tribunal (**NNTT**) Searches;
3. Overlapping tenure maps; and
4. Maps for environmentally sensitive areas – mining activities.

The Schedule provides specific information relating to the Tenements, including:

1. Current recorded legal ownership details of the Tenements;
2. Types of Tenements;
3. Areas of the Tenements;

4. Status of the Tenements;
5. Grant dates and expiry dates or term of the Tenements;
6. Expenditure commitments and rental relating to the Tenements;
7. Registered dealings or encumbrances affecting the Tenements;
8. Conditions of grant of the Tenements; and
9. Recorded native title claims relating to the Tenements.

Results of Enquiries

Based on our Searches and subject to the statements set out below, we confirm as at 24 June 2011:

1. The details of the Tenements referred to in this Report are accurate as to the recorded status and registered holders of each Tenement;
2. Where title to a Tenement has not been granted, that fact is disclosed in the Schedule;
3. All applicable amounts due in respect of the Tenements under Mineral Resources Act 1989 (Queensland) (**MRA**), appear to have been paid;
4. Any caveats or dealings registered against the titles of the Tenements, have been disclosed in the Schedule;
5. None of the Tenements are subject to any unusual conditions of a material nature, other than as disclosed in the Schedule; and
6. The Tenements that are subject to Native Title claims are identified in the Schedule.

Company's Interests in the Tenements

West Galilee Exploration Pty Ltd (**WG Exploration**) is the applicant of EPCA 2075 and the registered holder of the following granted exploration permits for coal (**EPC**) which comprise the Tenements:

1. EPC 2072;
2. EPC 2073;
3. EPC 2074;
4. EPC 2074;
5. EPC 2076;
6. EPC 2077; and

7. EPC 2078.

Pursuant to the JV Agreement, the Company is entitled to the following interest in the Tenements, upon expending a minimum earn-in amount of \$2 million by the second anniversary date of the last of the granted Tenements:

1. 80% interest in any exploration for coal and/or extraction of minable coal resources; and
2. 20% interest in any exploration, analysis, assessment and development activities aimed at the in-situ gasification of coal, production of syngas and surface infrastructure to manage syngas.

More information about the JV Agreement can be found in Section 10 of the Prospectus.

Right and Obligations of Tenement Holder

Details of Queensland Tenements

The Tenements are located in Queensland and are therefore regulated under the *Mineral Resources Act 1989 (Qld)* and accompanying regulations (**Regulations**).

Rights under Exploration Permits

Pursuant to the MRA, a granted exploration permit facilitates exploration and entitles the holder to enter any part of the land (excluding the surface of restricted areas) to explore for any mineral to which the exploration permit applies provided that all other provisions of the MRA, including entry notice requirements, are observed. These rights do not extend to applicants of exploration permits.

Applications

Under the MRA the Minister may grant a coal exploration permit only where he or she is satisfied that:

1. The requirements of the MRA have been complied with;
2. The applicant is an eligible person;
3. The applicant has paid the first years rental as prescribed in the permit; and
4. That program of work has been approved.

The Minister has the right to either:

1. Refuse to grant the exploration permit in circumstances where:
 - (a) The land the subject of the application is in a fossicking area or subject to an exploration permit for the same mineral; or
 - (b) The Minister is of the opinion that the applicant has previously contravened the MRA or other mining legislation; or
2. Grant the exploration permit with or without conditions.

On granting an exploration permit the Minister will determine the terms and conditions upon which the exploration is to be held, including the area to which the permit applies, rent, and security.

While an application for an EPC can be assigned beneficially prior to grant, such assignment will not be recorded in the register until the EPC has been granted and a formal transfer requested and approved.

Land Access and Compensation

Schedule 1 of the MRA sets out the requirements for access and compensation (**Land Access Code**) that must be observed by holders of exploration tenements (including EPCs and mineral development licences).

Key concepts of the Land Access Code are:

1. The classification of exploration activities into either a 'preliminary activity' (such as taking soil or water samples, or walking the area of the permit) or an 'advanced activity' (such as constructing an exploration camp, or bulk sampling);
2. The requirement to give entry notices to owners and occupiers of the land at least 10 business days before entry is made to carry out a preliminary activity;
3. The requirement for the tenement holder to compensate owners and occupiers of land for any compensatable effects (including diminution of value or deprivation of possession of its surface);
4. Conduct and Compensation Agreements – which must address the tenement holder's compensation liability to the owners and occupiers of the land;
5. Deferral Agreements - which if entered into between the tenement holder and the owners and occupiers of the land must particularise amongst other things when the parties agree to enter into a Conduct and Compensation Agreement;

6. The requirement for the tenement holder to enter into a Conduct and Compensation Agreement before entering land to carry out an advanced activity (unless a deferral agreement has been entered into or either party has applied to the Land Court to have the negotiation of compensation determined);
7. Where conduct and compensation agreements cannot be reached, the Land Access Code provides for alternate dispute resolution process or adjudication; and
8. Strict time frames for negotiation of conduct and compensation agreements once the tenement holder has commenced the negotiation process.

Payment of Rental and Expenditure Requirements

The holder of granted exploration permits must pay rental calculated in accordance with the Regulations by reference to the number of sub blocks to which the permit applies.

The holder must also comply with any exploration expenditure commitments referred to in the conditions of the granted EPC. The exploration expenditure commitments for the Tenements are set out in the Schedule. As at the date of this report expenditure commitments have not yet been determined in relation to EPCA 2075. Pursuant to the JV Agreement, the Company is responsible for the first and second year's expenditure commitments up to a maximum of \$2,000,000 (see section 10 for further information on the JV Agreement).

Reporting and Record Keeping

The holder of exploration permits is required to give the Minister annual reports relating to those Tenements. Reporting is also required within specific time frames and on the occurrence of certain events e.g. a reduction in the area of the exploration permits. Reports must comply with the requirements of the MRA and Regulations.

Security

Before granting or renewing an exploration permit, or varying a condition of an exploration permit, the Minister must determine the amount of security to be paid by the holder of the tenement as security for performance of the holder's obligations under the permit and the MRA.

Term and Renewal

The MRA provides that unless the Minister otherwise determines, the initial term of an exploration

permit will be for a period not exceeding 5 years. Renewal of an exploration permit must be applied for not more than 6 months and not less than 3 months prior to the expiration of the exploration permit. The Minister may renew an exploration permit if satisfied that:

1. The public interest will not be adversely affected by the renewal;
2. The holder has complied with the terms of grant and the MRA;
3. The proposed activities to be undertaken during the renewed term are appropriate; and
4. The holder has the financial means to carry out the proposed activities during the renewed term.

Reduction in Land

The area of an exploration permit may be reduced in the way and to the extent decided by the Minister during its term according to the terms of the grant of exploration permit when issued (or renewed). No compensation is payable to the holder for the reduction.

Overlapping Tenements

At the time an application for an exploration permit is accepted, the MRA operates to specifically exclude from that permit land the subject of any granted (or applied for) mining claim, mineral development licence or mining lease.

There is no restriction on the grant of exploration permits for minerals (**EPMs**) over the same areas as granted EPCs. Essentially EPCs and EPMs can coexist.

EPCs in the same area are not permitted and competing applications will be prioritised based on timing and date of lodgement.

The implications of overlapping tenements must be considered when having regard to the existing status of the Tenements and any future mining tenements the Company (and or WG Exploration) may wish to apply for within the Tenements, such as a mining lease for coal (**ML**).

Where a ML application overlaps another tenement, the MRA provides that the applicant must obtain:

1. The written consent from the other tenement holder if the existing tenement was granted in relation to the same mineral as is being sought in the ML application or the application relates to a specific purpose mining lease; and

2. The written views of the other tenement holder if the existing tenement was granted in relation to a different mineral or the existing tenement is a geothermal exploration permit;

and such consent or written views (as applicable) must be lodged with the DEEDI before the end of the last objection day for the ML application.

The introduction of the *Petroleum and Gas (Production and Safety) Act 2004* brought with it recognition of the existence of overlaps between mining and petroleum tenure.

If an EPC or mineral development licence for coal (**MDL**) overlaps an authority to prospect (**ATP**) (also known as an exploration permit for petroleum (**EPP**)), an authorised activity for the EPC or MDL cannot be carried out within the area of overlap with the ATP if to do so would adversely affect the carrying out of an authorised activity under the ATP (and that activity had commenced).

For example, if the Company (and or WG Exploration) were to apply for a mining lease for coal within the area of a pre-existing EPP, the Company would need to either obtain the consent of the EPP holder and enter into a coordination arrangement, or pursue a preference decision for coal development under the MRA.

The MRA provides that where the holder of an EPC wishes to pursue an authorised activity in the area of an overlapping granted petroleum lease (**PL**), the EPC holder must obtain the PL holder's written agreement and lodge a copy of the agreement with DEEDI. The MRA prohibits the grant of a ML where a ML application overlaps the grant of a PL unless the parties enter into a coordination agreement. While the PL holder is obliged to negotiate a coordination agreement, there is no obligation on the PL holder to actually agree to the terms of a coordination agreement, therefore empowering the PL holder to effectively determine the outcome of the ML application.

With respect to the Tenements, we make the following comments regarding applicable overlapping tenements:

1. EPC 2072, EPC 2074, EPC 2077 and EPC 2078 – These tenements are overlapped by EPP 974. At anytime that the Company (and or WG Exploration) wishes to proceed with a ML application over any of these tenements, it will need to obtain the consent of the holder of EPP 974 and enter into a coordination agreement with the holder or seek a preference decision for coal development under the MRA.
2. EPC 2073 – This tenement is overlapped by EPM 15877, EPM 16141, and EPM 18551. As mentioned above, given the EPMs relate to a minerals other than coal, the rights granted

under them can essentially coexist with the rights granted under EPC 2073.

3. EPCA 2075 – This tenement is overlapped by EPMA 19018. If granted the EPM will coexist with the rights granted under EPCA 2075 (if indeed EPCA 2075 is granted).
4. EPC 2076 – This tenement is overlapped by EPM 18549 and EPM 18551. Given the EPMs relate to a mineral other than coal, the rights granted under them can essentially coexist with the rights granted under EPC 2076.

We are not aware of any discussions held between the Company (or WG Exploration) and the holders of tenements overlapping the Tenements.

Environmental Authorities

Environmental aspects of the mining industry in Queensland are regulated by the Department of Environment and Resources Management (**DERM**) pursuant to the provisions of the *Environmental Protection Act 1994 (Qld)* (**EP Act**). The EP Act regulates 'environmentally relevant activities' which are essentially activities that have environmental impacts and includes mining exploration and development activities. An environmental authority is required to carry out a mining activity.

The EP Act classifies mining activities as either level 1 or level 2 mining projects. Relevantly, level 2 mining projects are classified as having a low level of environmental impact. Level 2 environmental authorities have issued for each of the granted Tenements. Permit numbers are as follows:

1. EPC 2072 – MIC 201263810;
2. EPC 2073 – MIC 201263910;
3. EPC 2074 – MIC 201263910;
4. EPC 2076 – MIC 29279110;
5. EPC 2077 - MIC 201279310; and
6. EPC 2078 – MIC 201278710.

The Company must, as a condition of its environmental authorities, comply with the Standard Environmental Conditions outlined in the Code of Environmental Compliance for Exploration and Mineral Development Projects (**EP Code**). If the Company is unable to comply with the Standard Environmental Conditions it will be required to apply to DERM for a new environmental authority to obtain a non-EP Code compliant environmental authority which will likely include conditions specifically relating to the operation of the new environmental authority.

The Code restricts holders of an environmental authority from carrying out activities in a category A or B environmentally sensitive area. In addition, prior to carrying out activities in a category C environmentally sensitive area, the holder must consult with the relevant administering authority. If it is determined through the consultation that additional conditions are necessary, the holder must comply with those conditions.

As at the date of the Searches, we have identified no environmentally sensitive areas within the underlying land and waters comprising the Tenements.

It is recommended that the Company carefully considers the impact that any subsequently identified environmentally sensitive areas within the Tenements may have on the Company's proposed mining exploration and development programs. The Company should also consider other permits that may be required by it to carry out activities that are not regulated by the EP Act and EP Code. We have not been asked to advise the Company in this regard.

Exclusions and Restrictions

The MRA provides that any 'protected area' being an area dedicated under the *Nature Conservation Act 1992 (Qld)* as a national park or conservation park is excluded from the definition of land to the extent it relates to the underlying land of the Tenements. Specific exclusions and restrictions relating to the Tenements are specified in the Schedule. We have not been instructed to conduct investigations identifying the specific land/s the subject of restrictions and exclusions.

Given exclusions and restrictions are determined as at the date of grant of an exploration permit, EPCA 2075 may be subject to restrictions and exclusions if or when granted.

Native Title

Recognition of Native Title

In *Mabo v Queensland (No. 2)* (1992 175 CR 1) the Australian common law recognised a form of native title giving Aboriginal people certain rights to their traditional land in a judgment of the High Court. The rights recognised in native title may vary from place to place and from people to people, but in each case will originate in customary rights and the Aboriginal group claiming the rights will have maintained a traditional connection with the relevant land.

The High Court has concluded that:

1. Native title has been wholly extinguished in respect of land the subject of freehold, public works or other previous "exclusive possession" acts; and

2. Native title has been partially extinguished as a result of the grant of “non-exclusive possession” pastoral leases and mining leases, and also as a result of the creation of certain reserves.

The *Native Title Act 1993 (Cth)* (**CNTA**), which came into effect on 1 January 1994, was enacted in response to the common law recognition of native title. Among other things, the CNTA:

1. Provides a procedure for the recognition of native title claims in the Federal Court;
2. Provides for the validation of past acts and intermediate period acts including the granting of mining tenements, that would otherwise be invalid because of the existence of native title over the relevant land;
3. Establishes ways in which future acts affecting native title, including the granting of mineral tenements, may proceed and sets standards for those dealings; and
4. Specifies the procedure for the grant of mining tenements which may affect native title rights.

Process for claiming native title

Persons claiming to hold native title anywhere in Australia may lodge an application for determination of native title (being a native title claim) with the Federal Court. Applications which are lodged with the Federal Court will be referred to the National Native Title Tribunal (**NNTT**) for the purposes of registration of the claim. If the Native Title Registrar is satisfied that a claim meets the registration requirements set out in the CNTA (**Registration Test**), it will be entered on the Register of Native Title Claims maintained by the NNTT (**Register**). Registered claimants are afforded certain procedural rights under the CNTA including the right to negotiate, discussed below.

Claims which fail to meet the Registration Test are recorded on the Schedule of Applications Received, maintained by the NNTT. Such claims may be entered on the Register at a later date if additional information is provided by the claimant that satisfies the Registration Test. Claims which are deregistered will lose the right to negotiate from the date of deregistration, but will still remain on foot in the Federal Court until such time as they are determined by the Court.

Validation of past acts and procedures for future acts

The CNTA enables a State parliament to validate mining tenements granted prior to the recognition of native title (such grants being classified as either past acts or intermediate period past acts) which would otherwise be invalid because of the existence of native title.

Past acts and intermediate period past acts

The CNTA defines an act to include the grant, issue, variation, extension, renewal, revocation or suspension of a licence, permit, authority or instrument which includes mining exploration permits. Mining tenements granted by State governments before 1 January 1994 are past acts and those granted between 1 January 1994 and 23 December 1996, are *intermediate* period past acts. Queensland has validated the grant of mining tenements that are past acts and intermediate period past acts.

The effect of validation on mining permits and native title depends on the category of grant involved. Grant of freehold estates, for example, which form the background title to many mining permits, extinguishes native title for all purposes. Grants of exploration permits (unless on freehold background tenure) are category B past acts, the validation of which does not extinguish native title, but which suspends its operation for the duration of the grant, provided certain statutory requirements, such as notification and payment of compensation by the federal or state governments in certain instances, are met. This is called the *non-extinguishment principle*.

Pursuant to the CNTA, the practical impact of native title on permits that are past acts or intermediate period past acts, is limited.

Future Acts

Future acts essentially include mining tenements granted on or after 23 December 1996. Mining tenements granted since this date which affect native title rights will be valid if prescribed future act procedures have been followed by the relevant parties. Future acts, such as the grant of an EPC, are only permitted under the CNTA if the procedures set out in the CNTA were followed, namely:

1. Following the right to negotiate process;
2. The future acts are pursuant to an Indigenous Land Use Agreement;
3. The future acts relate to the exercise of a pre-existing right or the renewal of an existing interest (eg, renewal of a validated exploration permit); and
4. The future acts are 'low impact future acts' (the grant of certain exploration licences and permits).

Procedure for exploration permits that are future acts

State mining legislation must be administered in accordance with the CNTA, including procedures prescribed for valid future acts. The procedure that must be followed to validly grant mining tenements (including EPCs and MLs) classified as future acts is generally known as the *right to negotiate process*.

The right to negotiate process affords to native title holders and claimants a procedure for being notified of proposed future acts and a process to either seek agreement on the carrying out of mining activities or adjudication by the Native Title Tribunal.

The right to negotiate process is:

1. In cases of low impact activities (e.g. activities usually carried out under EPCs), truncated so that permits for these exploration activities can be granted under certain conditions and the formal right to negotiate process will take place when other future acts are contemplated, such as applying for a ML. This fast-tracking process is known as expedited procedure, and the state Government has a general practice of attaching the standard Native Title Procedure Conditions (**NTPCs**) to exploration permits granted under expedited procedure; and
2. In cases where Indigenous Land Use Agreements (**ILUAs**) have been executed and registered, subordinated to the provisions of those agreements.

Where the expedited procedure applies, and before issuing the grant, DEEDI must notify registered native title holders of land and waters that will be affected by the proposed exploration permit. The notice must be by way of newspaper advertisement and must specify a *notification day* (usually 2 to 3 weeks after the advertisement) and contain a statement that under section 30 of the CNTA, persons have until 3 months after the notification day to take certain steps to become native title parties in relation to the notice. Persons who claim to hold native title must register their claim with the NNTT within 4 months of the notification day to allow the claimants the right to negotiate about the grant of the exploration permit. EPCs granted under the expedited procedure will usually be subject to the NTPCs which will form part of the tenement conditions. The NTPCs include provision for:

1. Payment of administration and other fees;
2. Notice requirements regarding proposed exploration activities relevant to the native title parties;
3. Meeting and inspection requirements; and
4. Procedures to be followed where aboriginal cultural heritage is discovered or identified during the conduct of exploration activities.

The CNTA provides for ILUAs between native title holders or claimants and holders of or applicants for mineral rights, about how land and waters in the area covered by the agreement will be used and managed in the future. ILUAs can serve as an alternative to the other processes and procedures under the CNTA described above, including the right to negotiate process. The NNTT maintains the Register of Indigenous Land Use Agreements. Once an ILUA is registered with the NNTT, it has the same status as a legal contract, but also binds all native title holders and claimants over the area covered by the

agreement, including those who may not have been identified at the time the agreement was made. It does not however, bind other persons who are not parties to it.

Queensland Native Title Legislation

The CNTA is given effect in Queensland under the *Native Title (Queensland) Act 1993 (QNTA)*. This State acts implements the CNTA and provides a state legislative regime for negotiating with native title parties before the state grants any mining tenement on land over which native title claims have not been extinguished. This is achieved within this framework by providing native title holders and claimants with rights pursuant to the right to negotiate process, in relation to future acts.

Native Title Status of the Tenements

Native title is wholly extinguished in respect of land the subject of freehold, public works or other previous “exclusive possession” acts. We have not researched the underlying land tenure in order to determine the extent of extinguishment for the purposes of this report. It follows that we are unable to determine whether or not native title has been extinguished in relation to any part of the underlying land comprising the Tenements.

Unless native title has been wholly extinguished over the underlying area of EPCA 2075, DEEDI may grant the exploration permit to WG Exploration on either of the following basis:

1. Where native title has been extinguished over more than 90% of the underlying area of the application, DEEDI may grant the exploration permit excluding those areas of land where native title still exists; or
2. The application will proceed through the right to negotiate process and expedited procedures will apply to the grant of the exploration permit.

Searches indicate that any exploration permit granted by DEEDI with respect to EPCA 2075 will be subject to the expedited procedures.

Searches undertaken in respect of EPC 2072, EPC 2073, EPC 2074, EPC 2076, EPC 2077 and EPC 2078 reveal the tenements as falling into the native title category of either ‘exclusive land’ or ‘native title excluded’. These categorisations mean that either native title has been wholly extinguished from the underlying land of the EPCs or, that small areas of native title (i.e. less than 10% of the area of the tenement) exist within the tenement land and the tenements were granted on the basis that these native title areas were excluded. Where the latter applies, the MRA provides for a tenement holder to

apply for the excluded native title land to be added back in to the EPC. This process will require the Minister to notify native title notification parties of the proposal to include the native title land in the EPC. Given the nature of the tenements, expedited procedures are likely to apply in connection with any such application.

Our Searches reveal that there are no registered ILUAs affecting the Tenements. We have not received nor have we been provided with any native title agreements for review in respect to the Tenements. The following Native Title claims information was obtained when we searched the NNTT register in relation to the Tenements:

Applications (Current as at 29 June 2011)							
Tenement	Tribunal No.	Federal Court No.	Name	Status	Date Registered	Area sq. km	Overlap area sq. km (& expressed as a percentage)
EPC 2076	QC06/16	QUD448/06	Ngawun Mbara People Core Country Claim	Accepted for registration	13/08/2009	13752.59	624.22 (4.5%)

Determinations (Current as at 29 June 2011)	
EPC 2072	Nil
EPC 2073	Nil
EPC 2074	Nil
EPCA 2075	Nil
EPC 2076	Nil
EPC 2077	Nil
EPC 2078	Nil

Aboriginal Heritage

The *Aboriginal and Torres Strait Islander Heritage Act 1984 (Cth)* preserves and protects areas or objects declared to be of particular significance to Aborigines or Torres Strait Islanders and will apply to any activities conducted by the Company on the Tenements.

The Tenements may be located on land which is subject to protection due to the existence of

Aboriginal heritage. The principal law which applies to the Tenements to protect any Aboriginal cultural heritage is the *Aboriginal Cultural Heritage Act 2003 (Qld)* (**ACHA**).

The ACHA imposes a duty of care on any person carrying out any activity to take all reasonable and practical measures to ensure that activity does not harm any area or object of Aboriginal cultural heritage. The ACHA provides that a person is taken to have complied with its duty of care with respect to Aboriginal Cultural Heritage if:

1. The person is acting under the authority of another provision of the ACHA that applies to Aboriginal Cultural Heritage;
2. The person is acting under an approved cultural heritage management plan that applies to Aboriginal Cultural Heritage;
3. The person is acting under a native title agreement with an Aboriginal party unless the Aboriginal party is expressly excluded from being subject to the agreement;
4. The person is acting in compliance with the cultural heritage duty of care guidelines;
5. The person is acting in compliance with NTPCs, but only if the cultural heritage is expressly or impliedly the subject of the conditions;
6. The person owns the Aboriginal cultural heritage, or is acting with the owner's agreement;
or
7. The activity is necessary because of an emergency, including for example, a bushfire or other natural disaster

We have not undertaken any searches or investigations as to whether there is or may be any cultural or heritage sites within the area of the Tenements. It is common practice for an explorer to undertake surveys of any area that may host such sites prior to carrying out any ground disturbing activity.

Wild Rivers Protection

The *Wild Rivers Act 2005 (Qld)* (**WRA**) aims to preserve the natural values of rivers that have all, or most of their natural values intact. The WRA provides for a process for the Government to declare wild river areas, and a framework for preserving the natural values of wild rivers.

Existing wild river declarations do not affect the underlying area of the Tenements. Having said this, future wild river declarations relating to rivers or catchments passing through or nearby the underlying land comprising the Tenements may adversely impact on any proposed mining development or activities (including the granting of any ML) within a declared wild river or catchment area. We have

not been provided with survey information or relevant maps to be able to assess the likelihood of future wild river declarations being made.

Strategic Cropping Land

Strategic cropping land is land identified by DERM as high quality soil and crop areas based on factors including location, climate, soil and landscape.

Following the release of a discussion paper in early 2010 and the production of a consultation report on public submissions received in relation to the discussion paper, the Queensland Government released Protecting Queensland's strategic cropping land: A policy framework (**Framework**) in August 2010.

The Framework outlines the Government's approach to identifying and protecting the State's best cropping land resources. This approach provides for the development and implementation of legislative and planning tools, including a specific Act of Parliament for strategic cropping land resources (expected to be introduced to Parliament during 2011) and a new State Planning Policy under the *Sustainable Planning Act 2009*.

Under the criteria proposed by the Framework, development proposals on areas classified as Strategic cropping land will be subject to higher levels of assessment. Proponents will be required to demonstrate how they will avoid permanent alienation of strategic cropping land as part of any development proposal.

Trigger maps have been released delineating areas where strategic cropping protection areas are expected to exist (**Trigger Maps**). The Trigger Maps are considered a starting point for identifying strategic cropping protection areas and are based on the best soil, land and climate information currently available. The Government has advised that further on-ground assessment will take place to determine whether an area identified in the Trigger Maps will in fact constitute strategic cropping land in the new legislation.

Relevantly, the Trigger Maps reveal that none of the Tenements include strategic cropping protection areas. Despite this, if the legislation declares certain areas within the Tenements as being strategic cropping protection areas, this may have an adverse impact on the Company's future exploration and mining activities or development within those areas.

Qualification

In providing this report:

1. We have assumed the information, reports and search results provided by various government agencies in Australia are accurate and correctly reflect the particulars of the Tenements to which this report relates;
2. We cannot comment on any obligations of the Company that may arise from agreements that are not registered as a dealing, encumbrance or otherwise noted on the searches we have conducted (including the Searches);
3. The holding of the Tenement Interest is subject to the Company's (and WG Exploration's) compliance with the terms and conditions of the grant, the provisions of the relevant state legislation under which they were granted, and the JV Agreement;
4. We have assumed the accuracy and completeness of any instructions or information which we received from the Company or any of its officers, agents, representatives and consultants;
5. We have relied on the Company's instructions that the agreements disclosed are the only agreements or arrangements relating to the Tenements to which it is a party or of which it is aware;
6. Where compliance with the requirements necessary to maintain a Tenement in good standing is not disclosed on the face of the searches referred to in this report, we express no opinion on such compliance;
7. References in the Schedule to any area of land are taken from details shown on searches obtained from the public reports undertaken by us, and it is not possible to verify the accuracy of those areas without conducting a survey;
8. Where Ministerial consent to any agreement or dealing is or will be sought, we express no opinion as to whether such consent will be granted, or the consequences of consent being refused, although we have no reason to believe that any application for consent will be refused;
9. All information contained in the notes to the Schedule has been extracted from the Searches.

We are satisfied the Tenements are valid and subsisting in accordance with the details of each Tenement provided in this report and the Schedule.

Use of Report

This report is given solely for the benefit of the Company and the directors of the Company in connection with the issue of the Prospectus and is not to be relied on or disclosed to any other person or used for any other purpose or quoted or referred to in any public document or filed with any government body or other person without our prior written consent.

Consents

Hemming+Hart consents to being named in the Prospectus as being responsible for the preparation of this report. Hemming+Hart has given and has not before the lodgement of the Prospectus, withdrawn its consent to the issue of the Prospectus with the inclusion of this report.

Except for this report (including any document forming part of it) Hemming+Hart:

1. Has not in any way authorised or caused the issue of the Prospectus;
2. Is not responsible for any matter included in or omitted from the Prospectus;
3. Makes no representation or warranties (either express or implied) with respect to the completeness or accuracy of the information contained in the Prospectus; and
4. Disclaims liability to any person in respect of any statement included in or omitted from this Prospectus.

Disclosure of interest

Hemming + Hart will be paid fees at their usual charge out rates for the preparation of this report and related work associated with advising on the Prospectus, due diligence and the Company's acquisition of the Tenement Interest, and other included matters associated with the Prospectus and the application for ASX Listing. Mr Anthon, a partner of Hemming+Hart Lawyers, is also a Director of the Company. Apart from the interests of Mr Anthon, no partner of Hemming+Hart Lawyers has any interest in the promotion of the Company or in its securities at the date of this report.

Yours faithfully

HEMMING+HART



Rhett Oliver

Partner

Schedule of Tenements

Tenement EPC 2072	
Status	Granted
Holder	West Galilee Exploration Pty Ltd
Shares	100%
Area (Sub-Blocks)	300
Grant Date	29 March 2011
Expiry Date (or term for Application)	28 March 2013
Expenditure Commitment/Rent	Expenditure Commitments: Yr 1 - \$240,000; Yr 2 - \$250,000 Annual Rent for Year 1: \$37,005
Dealings/ Encumbrances	Nil, with the exception of any caveat lodged by the Company pursuant to its rights under the JV Agreement
Specific Exclusions/ Restrictions and Conditions	<p>Exclusions: This permit is exclusive of other than the following:</p> <ol style="list-style-type: none"> 1. Land over which previous exclusive possession acts have been granted as defined under s.23B of the Native Title Act 1993 (Cth). (Land where previous exclusive possession acts have been granted and is now held or currently set aside for the benefit of Aboriginals or Torres Strait Islanders or unallocated State land, and is occupied by Aboriginal People or Torres Strait Islanders, is not included). 2. All validly dedicated roads (including stock routes and esplanades where dedicated as roads) that are previous exclusive possession acts. <p>Conditions: General Conditions Version 4 and Specific Conditions specifying program of works for the term of the grant and expenditure commitments.</p>
Current Native Title Claims	Nil

Tenement EPC 2073	
Status	Granted
Holder	West Galilee Exploration Pty Ltd
Shares	100%
Area (Sub-Blocks)	300
Grant Date	29 March 2011
Expiry Date (or term for Application)	28 March 2013
Expenditure Commitment/Rent	Expenditure Commitments: Yr 1 - \$240,000; Yr 2 - \$250,000 Annual Rent for Year 1: \$37,005
Dealings/ Encumbrances	Nil, with the exception of any caveat lodged by the Company pursuant to its rights under the JV Agreement
Specific Exclusions/ Restrictions and Conditions	<p>Exclusions: This permit is exclusive of other than the following:</p> <ol style="list-style-type: none"> 1. Land over which previous exclusive possession acts have been granted as defined under s.23B of the Native Title Act 1993 (Cth). (Land where previous exclusive possession acts have been granted and is now held or currently set aside for the benefit of Aboriginals or Torres Strait Islanders or unallocated State land, and is occupied by Aboriginal People or Torres Strait Islanders, is not included). 2. All validly dedicated roads (including stock routes and esplanades where dedicated as roads) that are previous exclusive possession acts. 3. Railway land containing current or past constructed railways and/or associated infrastructure that are previous exclusive possession acts. <p>Conditions: General Conditions Version 4 and Specific Conditions specifying program of works for the term of the grant and expenditure commitments.</p>
Current Native Title Claims	Nil

Tenement EPC 2074	
Status	Granted
Holder	West Galilee Exploration Pty Ltd
Shares	100%
Area (Sub-Blocks)	300
Grant Date	29 March 2011
Expiry Date (or term for Application)	28 March 2013
Expenditure Commitment/Rent	Expenditure Commitments: Yr 1 - \$240,000; Yr 2 - \$250,000 Annual Rent for Year 1: \$37,005
Dealings/ Encumbrances	Nil, with the exception of any caveat lodged by the Company pursuant to its rights under the JV Agreement
Specific Exclusions/ Restrictions and Conditions	Exclusions: This permit is exclusive of other than the following: 1. Land over which previous exclusive possession acts have been granted as defined under s.23B of the Native Title Act 1993 (Cth). (Land where previous exclusive possession acts have been granted and is now held or currently set aside for the benefit of Aboriginals or Torres Strait Islanders or unallocated State land, and is occupied by Aboriginal People or Torres Strait Islanders, is not included). 2. All validly dedicated roads (including stock routes and esplanades where dedicated as roads) that are previous exclusive possession acts. 3. Railway land containing current or past constructed railways and/or associated infrastructure that are previous exclusive possession acts. Conditions: General Conditions Version 4 and Specific Conditions specifying program of works for the term of the grant and expenditure commitments.
Current Native Title Claims	Nil

Tenement EPCA 2075	
Status	Application
Holder	West Galilee Exploration Pty Ltd
Shares	100%
Area (Sub-Blocks)	300
Grant Date	N/A
Expiry Date (or term for Application)	2 years
Expenditure Commitment/Rent	N/A given only at application stage
Dealings/ Encumbrances	Nil, with the exception of any caveat lodged by the Company pursuant to its rights under the JV Agreement
Specific Exclusions/ Restrictions and Conditions	Exclusions: Nil noted as at date of Searches Conditions: General Conditions Version 5 will apply as well as specific conditions (specifying program of works for the term of the grant and expenditure commitments) and NTPCs.
Current Native Title Claims	Nil

Tenement EPC 2076	
Status	Granted
Holder	West Galilee Exploration Pty Ltd
Shares	100%
Area (Sub-Blocks)	300
Grant Date	29 March 2011
Expiry Date (or term for Application)	28 March 2013
Expenditure Commitment/Rent	Expenditure Commitments: Yr 1 - \$240,000; Yr 2 - \$250,000 Annual Rent for Year 1: \$37,005
Dealings/ Encumbrances	Nil, with the exception of any caveat lodged by the Company pursuant to its rights under the JV Agreement
Specific Exclusions/ Restrictions and Conditions	Exclusions: This permit is exclusive of other than the following: 1. Land over which previous exclusive possession acts have been granted as defined under s.23B of the Native Title Act 1993 (Cth). (Land where previous exclusive possession acts have been granted and is now held or currently set aside for the benefit of Aboriginals or Torres Strait Islanders or unallocated State land, and is occupied by Aboriginal People or Torres Strait Islanders, is not included). 2. All validly dedicated roads (including stock routes and esplanades where dedicated as roads) that are previous exclusive possession acts. Conditions: General Conditions Version 4 and Specific Conditions specifying program of works for the term of the grant and expenditure commitments.
Current Native Title Claims	Ngawun Mbara People Core Country Claim (QC06/16) (QUD 448/06)

Tenement EPC 2077	
Status	Granted
Holder	West Galilee Exploration Pty Ltd
Shares	100%
Area (Sub-Blocks)	300
Grant Date	29 March 2011
Expiry Date (or term for Application)	28 March 2013
Expenditure Commitment/Rent	Expenditure Commitments: Yr 1 - \$240,000; Yr 2 - \$250,000 Annual Rent for Year 1: \$37,005
Dealings/ Encumbrances	Nil, with the exception of any caveat lodged by the Company pursuant to its rights under the JV Agreement
Specific Exclusions/ Restrictions and Conditions	Exclusions: This permit is exclusive of other than the following: 1. All validly dedicated roads (including stock routes and esplanades where dedicated as roads) that are previous exclusive possession acts. Conditions: General Conditions Version 4 and Specific Conditions specifying program of works for the term of the grant and expenditure commitments.
Current Native Title Claims	Nil

Tenement EPC 2078	
Status	Granted
Holder	West Galilee Exploration Pty Ltd
Shares	100%
Area (Sub-Blocks)	300
Grant Date	29 March 2011
Expiry Date (or term for Application)	28 March 2013
Expenditure Commitment/Rent	Expenditure Commitments: Yr 1 - \$240,000; Yr 2 - \$250,000 Annual Rent for Year 1: \$37,005
Dealings/ Encumbrances	Nil, with the exception of any caveat lodged by the Company pursuant to its rights under the JV Agreement
Specific Exclusions/ Restrictions and Conditions	Exclusions: This permit is exclusive of other than the following: 2. All validly dedicated roads (including stock routes and esplanades where dedicated as roads) that are previous exclusive possession acts. Conditions: General Conditions Version 4 and Specific Conditions specifying program of works for the term of the grant and expenditure commitments.
Current Native Title Claims	Nil

10. Additional Information

10.1 Registration and Company Background

The Company was registered on 23 November 2010. At the date of this Prospectus, all Existing Shares are held by the Company's foundation and seed shareholders.

10.2 Rights and Liabilities attaching to Shares

The following is a summary of the more important rights and liabilities attaching to the Shares as detailed in the Company's Constitution. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Shares. A copy of the Company's Constitution may be obtained from or inspected at the Company's registered office during business hours over the duration of the offer.

Share Capital

All issued Shares rank equally in all respects.

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.

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).

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.

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.

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 may be taken to recover the amount unpaid.

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.

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.

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.

10.3 Material Contracts

The Board considers that certain agreements relating to the Company are significant to the Offer, the operations of the Company or may be relevant to investors. A description of material contracts or arrangements, together with a summary of the agreements is set out below.

Joint Venture Agreement

The Company entered into a joint venture agreement with WG Exploration on 3 August 2011 (referred to throughout this Prospectus as the 'JV Agreement'). The purpose of the JV Agreement was to give effect to the heads of agreement entered into between the Company and WG Exploration on or about 21 March 2011.

The key terms of the JV Agreement are as follows:

1. On execution of the JV Agreement:
 - (a) an unincorporated joint venture (**Joint Venture**) between the Company and WG Exploration is established for exploitation of the Tenements; and
 - (b) the parties acknowledge the Company's payment to WG Exploration in the sum of \$237,030 representing the first year's rent and applicable environmental bonds for each of the Tenements that have fallen due for payment.
2. Should exploration result in agreement to develop any part of the Tenements, the parties will hive off the project into another joint venture on the same terms and conditions as the JV Agreement, insofar as practicable. The remainder of the Tenements will continue to form the basis of the existing unincorporated Joint Venture.
3. Exploitation of the Tenements under the JV Agreement will occur as follows:
 - (a) Exploration for coal aimed to identifying minable coal resources (**Coal Activities**) is to be undertaken by the Company and the Company will be the manager responsible for Coal Activities; and
 - (b) Exploration aimed at identifying targets for in-situ gasification of coal and the production and management of syngas (**UCG Activities**), is to be undertaken by WG Exploration and WG Exploration will be the manager responsible for UCG Activities.
4. The JV Agreement provides for an earn-in period for the Company, ending on the second anniversary of the grant date of the newest of the Tenements, by which time the Company must have expended a minimum of \$2 million (**Minimum Expenditure**) on Tenement maintenance and exploration programmes, including the amount mentioned in paragraph 1 above;

5. Prior to incurring the Minimum Expenditure, the Company's interest in the Joint Venture is nil. Upon expending the Minimum Expenditure, Joint Venture interests will be as follows:

In relation to Coal Activities:
 - (a) The Company - 80%; and
 - (b) WG Exploration – 20%.
In relation to UCG Activities:
 - (a) The Company - 20%; and
 - (b) WG Exploration – 80%.
6. The Company's interest in the Tenements is to be protected by registering a caveat over the Tenements prior to incurring the Minimum Expenditure and by a registered mortgage over the Tenements, once the Company has incurred the Minimum Expenditure. Each party will also permit registration of a cross charge over its Joint Venture interests as security against breach of the JV Agreement. The parties have also agreed to note the existence and particulars of the JV Agreement against titles to the Tenements.
7. The allocation of the Tenements between Coal Activities and UCG Activities has been agreed on the following basis and the Company's Coal Activities on the Tenements will be impacted to the following extent:
 - (a) 0-300 metres in depth – WG Exploration may not conduct UCG Activities unless the Company has confirmed that it does not wish to proceed with Coal Activities;
 - (b) 301m-500 metres in depth – The Company has first priority to conduct Coal Activities and WG Exploration has second priority to conduct UCG Activities if the Company considers the Coal Activities to be uneconomic; and
 - (c) Below 501 metres – WG Exploration has the rights at any time to conduct UCG Activities provided those activities do not impact on overlapping Coal Activities.
8. During the first 2 years of the Joint Venture, neither party may relinquish any portion of the Tenements without first obtaining the other party's agreement, such agreement must not be unreasonably withheld. At the expiration of this 2 year period, the parties may jointly designate areas of the Tenements that are no longer subject to the terms of the Joint Venture.
9. In respect of the UCG Activities, WG Exploration will free carry the Company for expenditure on exploration, trials and feasibility studies up to a maximum of \$2,000,000. A corresponding free carry for WG Exploration is included in relation to Coal Activities pursuant to the Minimum Expenditure.

10. Once the Minimum Expenditure commitment is met by the Company, the parties must elect to either contribute to the expenditure in respect of the Coal Activities or the UCG Activities (in accordance with programmes and budgets determined by the applicable manager), or elect to dilute its participating interest based on a standard industry formula, provided that once that interest is diluted to 10%, that party's participating interest in the particular project must convert to a 5% net project royalty.
11. The Company has the right to withdraw from the Joint Venture in respect of both Coal Activities and UCG Activities at any time after it has met the minimum expenditure commitments of \$2,000,000, except for provision for its proportion of any accrued rehabilitation obligations. If it withdraws before fully incurring the Minimum Expenditure commitment, the Company will exit the Joint Venture with no interest, the unpaid portion will be a debt due to WG Exploration and the paid portion will be retained by WG Exploration.
12. Breaches by the parties of the Joint Venture Agreement that are not rectified can result in an accelerated dilution of a defaulting party's interest at 200% of the standard industry formula.
13. There are restrictions on the parties assigning their respective interests in the Joint Venture to third parties, equating to a right of first refusal for each party in relation to any proposed sale.

HK Securities Pty Ltd Mandate

The Company has entered into an agreement with HK Securities Pty Ltd on 15 July 2011, whereby HK Securities Pty Ltd was appointed Sponsor to the Issue (**Mandate**). Pursuant to the terms of the Mandate, HK Securities Pty Ltd is required to support the Company in relation to the Offer including by assisting in the management and coordination of the Offer process. Upon the Offer being fully subscribed and the Company being admitted to the Official List, HK Securities Pty Ltd will be paid a one off fee of \$10,000 (plus GST) together with a fee equating to 1% of the funds raised from the IPO (plus GST).

Executive Director Remuneration

The Company's Executive Director, Mr Kevin Nichol has entered into an executive consultancy agreement commencing on 1 March 2011.

Under this agreement, Mr Nichol will perform duties and exercise powers consistent with Mr Nichol being equivalent, in terms of position and duties, as Executive Director. Mr Nichol must perform his duties with due care and diligence and protect and promote the Company's interests to the best of his

ability. The agreement does not have a definitive period of operation and is capable of being cancelled by either party on giving 1 months written notice to the other. Additionally, the Company has termination rights on other grounds, such as breach of agreement, bankruptcy of the consultant or serious criminal conviction (**Termination Cause**). If the Company terminates Mr Nichol's consultancy during the consultancy for any reason other than a Termination Cause, the Company must pay Mr Nichol an exit fee representing payment of the consultancy fee over 3 months on a pro rata basis (i.e. \$33,000).

From the date of commencement of the agreement (the date of the company's incorporation), Mr Nichol's remuneration is \$132,000 per annum.

The agreement imposes certain restrictions on Mr Nichol from dealing with any client (or related entity of a client) of the Company for a period of 1 year following termination of the agreement and competing against the Company for a similar time.

The agreement is considered to reflect standard provisions typical for an agreement of this kind.

Non Executive Directors' Remuneration

For an annual remuneration of \$60,000 per annum (plus statutory superannuation contributions) each of Mr Avery and Mr Anthon as directors will be employed and paid to perform Non-Executive Director services in connection with the Company's affairs. Employment agreements have been entered into to ensure the availability of Mr Avery and Mr Anthon for this purpose which commenced on 1 March 2011.

The Agreements provide for termination by either party after 1 months advance written notice.

Executive Employment Agreement – Matthew Bull

The Company has entered into an executive employment agreement with Mr Matthew Bull as Chief Executive Officer (**CEO**). Mr Bull's employment will commence with the Company on 27 August 2011.

Mr Bull, as CEO is to undertake duties and exercise powers as determined by the Board from time to time. The CEO will be responsible for executing strategic initiatives developed by the Board and for operating the Company within a budget set by the Board.

Subject to overall direction of the Board, the CEO will direct and be responsible for the day to day management of the operations of the Company.

Mr Bull is entitled to an annual salary of \$167,000 (plus statutory superannuation) and out of pocket expenses. Mr Bull's salary will be reviewed annually.

Mr Bull will be eligible to participate in any short or long term incentive plan ultimately established by the Company.

Mr Bull's executive employment agreement may be terminated immediately by the Company if, among other things, he commits a serious or persistent breach of the agreement or the Company's policies or procedures. Mr Bull may terminate the executive employment agreement on the 3 months notice to the Company.

Deeds of Access, Indemnity & Insurance

The Company has entered into deeds of access, indemnity and insurance with each of the Directors, under which the Company has agreed to:

- continue to provide the Directors with access to certain relevant information after they cease to be directors;
- to the extent permitted by law, indemnify the Directors against liabilities incurred in their capacity as directors of the Company and its subsidiaries; and
- maintain Director's and Officer's liability insurance in respect of the Directors, both during and after the period they are directors (subject to cost and availability).

The Company's access obligations extend to ensure that Directors have access to Company documents for up to 7 years after they cease to be a Director. Additionally, a Director has the benefit of a similar Deed being entered into (and guaranteed by the Company) if any Director becomes a Director of a subsidiary Company.

10.4 Interests of Advisors for Disclosure

Except as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional, expert, advisory or other capacity in connection with the preparation or distribution of this Prospectus:

- has any interest, or has had any interest during the last two years, in the formation or promotion of the Company or in property acquired or proposed to be acquired by the Company in

connection with its formation or promotion or the Offer; and

- has been paid, or agreed to be paid and no benefit has been given, or agreed to be given, to any person in connection with the services provided by the person in connection with the formation or promotion of the Company or the Offer.

Advisors' interests

HK Securities Pty Ltd will receive professional fees of \$10,000 plus GST for its role as sponsor to the Issue, together with \$40,000 plus GST if the Minimum Subscription is achieved, or \$60,000 plus GST if the Maximum Subscription is achieved (i.e a fee equating to 1% of the funds raised from the IPO plus GST).

Hall Chadwick Corporate (NSW) Limited has prepared the Independent Accountant's Report contained in Section 7 of this Prospectus. The Company has paid, or agreed to pay, approximately \$12,000 for these services to the date of this Prospectus. Further amounts may be paid in accordance with its usual time-based charges.

Hemming+Hart has acted as Solicitor to the Company in relation to the Offer, has prepared the Legal Tenements Report contained in Section 9 of this Prospectus, and has advised the Company generally in relation to its admission to the Official List and has also performed work in relation to due diligence enquiries and acquisition of the Tenement Interest. The Company has paid, or agreed to pay, approximately \$50,000 for these services to the date of this Prospectus. Further amounts may be paid in accordance with its usual time-based charges.

Moultrie Group Pty Ltd has acted as Independent Geologists to the Offer and has prepared the Independent Geological Report set out in Section 8 of this Prospectus. Moultrie Group Pty Ltd will be paid an amount of \$30,000 in respect of this service.

Advanced Share Registry Services Limited has been appointed as the Share Registry and will be paid for these services on normal commercial terms.

10.5 Consents

The following persons have given and have not, before the date of this Prospectus, withdrawn their consent to:

- be named in the Prospectus in the form and context in which they are named;

- the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in the Prospectus; and
- the inclusion of other statements in the Prospectus (additional to their naming in the Directory, Section 10.4 or the Glossary) which are based or referable to statements made in those reports or statements, or which are based on or referable to other statements made by those persons in the form and context in which they are included:

Name of Company/Person	Named as	Reports or statements
HK Securities Pty Ltd	Sponsor to the Issue	Corporate Directory, Section 3.19, Section 10.3, and Section 10.4
Hall Chadwick Chartered Accountants	Auditors	Corporate Directory
Advanced Share Registry Services Limited	Share Registry	Corporate Directory and Section 10.4
Hall Chadwick Corporate (NSW) Limited	Independent Accountants	Corporate Directory, Section 7 Independent Accountant's Report, and Section 10.4
Hemming+Hart	Solicitors	Corporate Directory, Section 9 Legal Tenements Report, and Section 10.4
Moultrie Group Pty Ltd	Independent Geologist	Corporate Directory, Section 8 Independent Geologist's Report, and Section 10.4

Disclaimers

Each person named above as having given consent to the inclusion of a statement or being named in the Prospectus:

- does not make, or purport to make, any statement in this Prospectus or any statement on which a statement in this Prospectus is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement or report, a statement or report included in this Prospectus with the consent of that person; and
- to the maximum extent permitted by the law, expressly disclaims and takes no responsibility for any part of this Prospectus, other than a reference to their name and, in the case of a person having given their consent to the inclusion of a statement, any statement or report which has been included in this Prospectus with the consent of that party.

10.6 Foreign Ownership Restrictions

Acquisitions of interests in Shares in Australian companies such as the Company by foreign persons are subject to review and approval by the Treasurer of the Commonwealth of Australia under the *Foreign Acquisitions and Takeovers Act 1975* (Cth). That statute applies to any acquisition of 15% or more of

the shares of an Australian company or any acquisition which results in one foreign person or group of associated foreign persons controlling 15% of more of total voting power. In addition, the statute applies to any acquisition by non associated foreign persons resulting in foreign persons controlling, in the aggregate, 40% or more of total voting power or ownership. Investors to whom this may apply should consult their professional advisors to determine whether the *Foreign Acquisitions and Takeovers Act 1975* (Cth) may affect their holding of shares.

10.7 Interests of Directors

The Directors of the Company or their associates have a beneficial interest in the following Securities in the Company at the date of this Prospectus.

Name	Securities
Peter Avery	3,000,003 Shares
Kevin Nichol	1,000,003 Shares
Richard Anthon	3,700,003 Shares

Other than set out above or elsewhere in this Prospectus:

- No Director or proposed Director of the Company and no firm in which a Director or proposed Director of the Company is or was at the relevant time a partner, has or has had in the two years before lodgement of this Prospectus, any interest in the promotion of, or in any property proposed to be acquired by, the Company.
- No amounts, whether in cash or Shares or otherwise, have been paid or agreed to be paid to any Director or proposed Director of the Company (or to any firm in which he is or was 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 promotion or formation of the Company.

10.8 Payments to Directors

Under the Company's Constitution, the total amount of remuneration paid to all Directors as director fees must not be increased unless authorised by the Company in General Meeting. Directors are entitled to be reimbursed for travelling and other expenses incurred in attending meetings or in relation to the business of the Company. The Constitution of the Company provides that the Directors may be paid, as remuneration for their services, a sum determined from time to time by the Company's Shareholders in general meeting, with that sum to be divided amongst the Directors in such manner and proportion as they agree.

10.9 Corporate Governance

Incorporation of Corporate Governance Material

The Directors are responsible for protecting the rights and interests of the Shareholders through the implementation of sound strategies and action plans and the development of an integrated framework of controls over the Company's resources, functions and assets.

General

The Directors do not consider that the Company is of a sufficient size or that its affairs are of such complexity as to justify the formation of special or separate committees. The Board as a whole is able to address the governance aspects of the Company's activities and ensure that it adheres to appropriate ethical standards.

This information below outlines the main corporate governance policies which the Directors have adopted.

Composition of the Board

The Board comprises three Directors. The names, qualifications and relevant experience of each Director are set out in this Prospectus. There is no requirement for any Director's shareholding qualification.

Board policy is that the Board will constantly review and monitor its performance. As the Company's activities increase in size, nature and scope, the size of the Board will be reviewed periodically and the Board may seek to appoint persons who, in the opinion of the Board, will provide specialist expertise required for the Board to adequately perform its role.

Board Membership

Members of the Board have been brought together to provide a blend of qualifications, skills and national and international experience required for managing a company operating within the mining industry.

Appointment and Retirement of Directors

The Company's Constitution provides that Directors are subject to retirement by rotation by reference to length of appointment. Retiring Directors are eligible for re-election by Shareholders at the annual general meeting of the Company.

Duties of Directors

Directors are expected to accept all duties and responsibilities associated with the running of a public company, to act in the best interests of the Company and to carry out their duties and responsibilities with due care and diligence.

Directors are required to take into consideration conflicts when accepting appointments to other Boards. Accordingly, Directors wishing to accept appointment to other Boards must first seek approval from the Board, approval of which will not be unreasonably withheld.

Independent Professional Advice

The Board has determined that individual Directors may, in appropriate circumstances, engage outside advisors at the Company's expense. The engagement of an outside advisor is subject to the prior approval of the Board, which will not be unreasonably withheld.

Remuneration Committee

The maximum aggregate amount payable to non - executive Directors as Directors' fees has been set at \$350,000 per annum at a general meeting of the members dated 1 August 2011. The Constitution provides that Directors' fees can initially be determined by them, but thereafter are to be determined pursuant to a resolution at a general meeting.

The Board acts as nomination and remuneration committee.

Audit and Risk Management Committees

The Board acts as separate audit and risk management committees. The Company has adopted an Audit Committee Charter and a Risk Management Charter setting out the composition, purpose, powers and scope of each committee as well as reporting requirements to the Board as a whole.

Internal Management Controls

Control over the operations is exercised by its executive directors and exploration managers. The Board also monitors the performance of outside consultants engaged from time to time to complete specific projects and tasks.

Identifying Significant Business Risks

The Board regularly monitors the operational and financial performance of the Company's activities. The Board, acting as the audit and risk management Committee, monitors and receives advice on areas of operation and financial risk and considers strategies for appropriate risk management. All operational and financial strategies adopted are aimed at improving the value of the Company's Shares. However, the Directors recognise that mineral exploration and evaluation is inherently risky.

ASX Corporate Governance

To further enhance ASX listed entities' disclosure of corporate governance issues, the ASX Corporate Governance Council (**CGC**) was established on 1 August 2002. The CGC was established for the purpose of setting an agreed set of corporate governance standards of best practice for Australian listed entities. The CGC has released its Corporate Governance Principles and Recommendations (**ASX Guidelines**) which will apply to the Company's financial statements upon listing on ASX. The ASX Guidelines articulate eight core principles that CGC believes underlie good corporate governance. The ASX Guidelines provide that a listed entity's Annual Report is required to disclose its main corporate governance practices and also the extent to which the entity complies with the ASX Guidelines and where it does not, to explain why.

The information below outlines the main corporate governance policies of the Company which the directors have adopted, as well as addressing in some detail the ASX Guidelines.

Before referring to the specific principles set out in the ASX Guidelines and the steps being taken by the Company to comply with those, the following factors should be noted:

- Each of the Directors has to date dedicated considerable time and effort to the affairs of the Company and is expected to do so in the immediate future. The Directors manage to do so within busy schedules for other work and business commitments and as a consequence, the principal focus of their endeavours (while operating within a sound base for corporate governance) must necessarily be promotion of the Company's activities and improving shareholder value.
- Following successful listing, the Company does not expect to be included within the ASX 200

upon listing. Accordingly, the ASX Guidelines will not automatically become binding on the Company. That said, the Company is committed to adopting corporate governance policies commensurate with its business activities and has adopted a formal Corporate Governance Compliance Manual, setting out the roles and responsibilities of the committees described above.

It is within the above context that the Directors are establishing appropriate processes to ensure that they are compliant with a number of ASX Guidelines on listing. In the context of those Guidelines, the Directors make the following observations in relation to the Company's corporate governance status:

ASX Guidelines	Summary of the Company's position
Principle One – Lay solid foundations for management and oversight	The Company has two non executive directors (including the Chairman) and one executive director. As a whole, the Board consists of experienced public company directors.
Principle Two – Structure Board to Add Value	A majority of non executive Directors in place with a future independent Chairman envisaged in the long term. A nomination committee and a performance evaluation process have been established.
Principle Three – Promote Ethical and Responsible Decision Making	The Company has adopted a code of conduct for Directors and senior executives regulating the duties of directors and their dealings with the Company (and Shares) both internally and externally. A summary of the securities trading policy of the Company, applicable to Directors, senior executives and employees is at the end of this table.
Principle Four – Safeguard Integrity in Financial Reporting	The Company has adopted an Audit Committee Charter and Risk Management Charter. The Board acts as the Audit Committee.
Principle Five – Make Timely and Balanced Disclosure	The Company has defined, under its ASX Disclosure strategy, an internal protocol for the reporting of material information to Shareholders and ASX. The company secretary will act as disclosure officer for ASX purposes.
Principle Six – Respect the Rights of Shareholders	<p>The Company is committed to Shareholder communication and providing equal and timely access to material information regarding the operations and results of the Company. The Company expects to make regular ASX announcements and make these available on its website.</p> <p>The Company's code of conduct for Directors and key executives sets out the behaviour required of Directors, employees and contractors as appropriate and including the observance of legal and other compliance obligations that relate to the Company's activities from time to time.</p>
Principle Seven – Recognise and Manage Risk	The Board under the Audit Committee Charter and Risk Management strategy has responsibility for overseeing the Company's risk management and internal control framework and implementation of the processes to undertake and assess risk management and internal control compliance.
Principle Eight – Remunerate Fairly and Responsibly	A Remuneration and Nomination Committee is constituted by the Board and has been established to make recommendations regarding all aspects of executive and non-executive director nominations and management remuneration packages. This Prospectus discloses the entitlements of Directors.
Director's Share Trading Policy	The Company's securities trading policy covers Directors, executives and employees and prohibits trading whilst such a person is in possession of unpublished price sensitive information. There are closed periods when none of the Directors, executives and employees can trade, being 7 days before and 2 days after the release of quarterly, half yearly or yearly financials or the annual general meeting. (Some additional periods are imposed on Directors and senior executives). Additionally, no short term or speculative trading is allowed by the Company. Permission to trade (when there is no possession of unpublished price sensitive information) by a Company delegate, and notification requirements to the Company, applies to all levels of trading.

10.10 Litigation

The Directors are not aware of any litigation of a material nature in progress, pending or threatened, which may significantly affect the financial position of the Company.

10.11 Expenses of the Offer

It is estimated the Company will incur the following expenses in respect of broking, legal, accounting, corporate advisory, experts' fees, printing, ASIC and ASX fees and other costs (exclusive of GST) arising from this Prospectus and the Offer:

- \$410,000 in the event the Minimum Subscription of 20,000,000 Shares is achieved and \$4,000,000 is raised; or
- \$530,000 in the event the Offer is fully (30,000,000 Shares) subscribed and \$6,000,000 is raised.

10.12 Documents Available for Inspection

Copies of the following documents are available for inspection during normal office hours free of charge at the office of the Company's Solicitors at Level 5, 307 Queen Street, Brisbane during the Offer Period:

- (a) Directors' consents for the lodgement of the Prospectus;
- (b) the Constitution; and
- (c) the consents referred to in Section 10.5 of this Prospectus.

Copies of policies, codes, charters and documents reflecting Company adopted ASX Corporate Governance Principles or recommendations can be inspected at the Company's website www.baru.com.au

10.13 Responsibility Statement by Directors

The Directors state that for the purpose of Section 731 of the Corporations Act:

1. they have made reasonable enquiries and have reasonable grounds to believe that statements provided to them in this Prospectus are true and not misleading or deceptive;
2. with respect to other statements contained in this Prospectus made by persons other than the Directors, that the Directors have made reasonable enquires and have reasonable grounds to believe that the persons making the statements were competent to make such statements; and

3. They have made reasonable enquiries in order to be satisfied that sufficient and adequate disclosure has been made in this Prospectus of material information which is known to Directors (or reasonably capable of being known) in accordance with the requirements of the Corporations Act.

Authorisation

Each of the Directors of the Company has consented to the lodgement of the Prospectus with the ASIC.

Signed on the date of this Prospectus on behalf of the Company by:



Rick Anthon

Chairman

11. Glossary

In this Prospectus the following terms and abbreviations have the following meanings unless otherwise stated.

Term	Meaning
\$ or \$A	The currency of Australia
Applicant	A person who submits an Application
Application	A valid application made to subscribe for a specified number of Shares in accordance with the Offer accompanied by payment of the subscription amount
Application Form	The application form enclosed with and forming part of this Prospectus
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited ABN 98 008 624 691
ASTC Settlement Rules	The operating rules of the ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532
Board	The Board of Directors of the Company
Business Day	Has the meaning ascribed to it in the Listing Rules
CHESS	Clearing House Electronic Subregister System
Closing Date	5.00pm Sydney Time on 8 September 2011 (subject to the right of the Directors to close the Offer earlier or to extend this date without notice)
Company or Baru Resources	Baru Resources Ltd ACN 147 324 847
Constitution	The Constitution of the Company
Corporations Act	Corporations Act 2001 (Cth)
Cth	Commonwealth
DEEDI	The Department of Employment, Economic Development and Innovation (Qld)
Department of Environment	The Department of Environment and Resource Management (Qld)
DERM	The Department of Environment and Resource Management (Qld)
Directors	Members of the Board of Directors of the Company
EPC	Exploration permit for coal issued pursuant to the <i>Mineral Resources Act 1989 (Queensland)</i>
Existing Shareholder	The holder of Existing Shares
Existing Shares	The Shares on issue in the Company as at the date of this Prospectus
Founder Shares	12,500,000 Shares issued at 0.01 cent per Share and 9 Shares issued at \$1.00 per Share

Term	Meaning
Issue or Offer	The issue of Shares pursuant to this Prospectus
JV Agreement	The joint venture agreement entered into between WG Exploration and the Company in relation to the Tenements dated 3 August 2011
JORC	The Joint Ore Reserves Committee Code, 1999 edition, which provides guidelines to the proper reporting and identification of reserves and resources.
Legal Tenements Report	The report contained in Section 9 of this Prospectus
Listing Rules	The official listing rules of ASX
Mandate	The agreement entered into between HK Securities Pty Ltd and the Company dated 15 July 2011 to provide services in connection with the Offer
Maximum Subscription	The subscription by Applicants of 30,000,000 shares the subject of the Offer and the raising of \$6,000,000
Minimum Subscription	The subscription by Applicants of 20,000,000 shares the subject of the Offer and the raising of \$4,000,000
NNTT	National Native Title Tribunal
Offer or Issue	The issue of Shares pursuant to this Prospectus
Official List	The official list of the ASX
Opening Date	11 August 2011
Options	A right entitling the holder to be issued with one Share for each Option held subject to exercise and payment of the applicable exercise price.
Prospectus	This prospectus
Quotation	Quotation of the Shares on the ASX
Securities	Shares or Options
Seed Shares	7,600,000 Shares issued at 5 cents per Share
Shares	Fully paid ordinary shares in the capital of the Company
Share Registry	Advanced Share Registry Services Limited
Shareholder	A person registered on the Company's Share register
Sydney Time	Australian Eastern Standard Time
Tenement	As the context requires, means any one of the Tenements
Tenements	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	The Company's interest in the Tenements pursuant to the JV Agreement
WG Exploration	West Galilee Exploration Pty Ltd



Guide to Baru Resources Limited Application Form

This Application Form relates to the Offer of up to 30,000,000 Shares in Baru Resources Limited at \$0.20 per Share pursuant to the Prospectus dated 3 August 2011. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. The Prospectus contains information about investing in the Shares of the Company and it is advisable to read this document before applying for Shares. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary prospectus (if applicable), and an Application Form, on request and without charge.

Please complete all relevant sections of the Application Form using BLOCK LETTERS. These instructions are cross referenced to each section of the Application Form. Further particulars and the correct forms of registrable titles to use on the Application Form are contained below.

- A** Insert the number of Shares you wish to apply for.
- B** Insert the relevant amount of Application monies. To calculate your Application monies, multiply the number of Shares applied for by the sum of \$ 0.20.
- C** Write the full name you wish to appear on the statement of holdings. This must be either your own name or the name of the company. Up to three joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applicants using the wrong form of title may be rejected. Clearing House Electronic Sub-Register System (CHES) participants should complete their name and address in the same format as that are presently registered in the CHES system.
- D** Enter your Tax File Number (TFN) or exemption category. Where applicable, please enter the TFN for each joint Applicant. Collection of TFN(s) is authorised by taxation laws. Official Quotation of your TFN is not compulsory and will not affect your Application.
- E** Please enter your postal address for all correspondence. All communications to you from the share registry will be mailed to the person(s) and address as shown. For Joint Applicants, only one address can be entered.
- F** The Company will apply to ASX to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited.
- If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold securities allotted to you under this Application in uncertificated form on the CHES subregister, complete Section G or forward your Offer Application Form to your sponsoring participant for completion of this section prior to lodgement. Otherwise, leave Section G blank and on allotment, you will be sponsored by the Company and an SRN will be allocated to you. For further information refer to section 3 of the Prospectus.
- G** Please enter your telephone number(s), area code, email address and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or credit card details in this section. The total amount of your cheque or credit card payment should agree with the amount shown in Section B. Your cheque must be drawn on an Australian Bank and must be payable to "Baru Resources Ltd - Share Offer Account" and crossed "Not Negotiable". Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.

Before completing the Offer Application Form the Applicant(s) should read the Prospectus to which the Application relates. By lodging the Application Form, the Applicant(s) agrees that this Application is for Shares in the Company upon and subject to the terms of this Prospectus, agrees to take any number of Shares equal to or less than the number of Shares indicated in Section A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Offer Application Form.

Privacy – Please refer to Section 3 of the Prospectus for details about the collection, holding and use of your personal information. If you do not provide the information required on this Offer Application Form, the Company may not be able to accept or process your Application.

Correct form of Registrable Title

Note that only legal entities are allowed to hold Shares. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable title may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full not initials	Mr John Alfred Smith	JA Smith
Minor (a person under the age of 18) Use the name of a responsible adult; do not use the name of a minor.	John Alfred Smith <Peter Smith>	Peter Smith
Company Use the Company's full title not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Trusts Use trustee(s) personal name(s), do not use the name of the trust	Mrs Sue Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use executor(s) personal name(s), do not use the name of the deceased	Ms Jane Smith <Est John Smith A/C>	Estate of late John Smith
Partnerships Use partners personal names, do not use the name of the partnership	Mr John Smith and Mr Michael Smith <John Smith and Son A/C>	John Smith and Son

Return your completed Application Form to:

By Post to

Baru Resources Limited
Suite 304, 22 St Kilda Road
St Kilda VIC 3182

Or Delivered to

Baru Resources Limited
Suite 304, 22 St Kilda Road
St Kilda VIC 3182

Application Forms must be received no later than 5.00 pm AEST time (Sydney Time) on the 8 September 2011.





www.baru.com.au

Phone: (03) 9692 7222 • Fax: (03) 9529 8057 • Email: info@baru.com.au

Suite 304, 22 St Kilda Road, ST KILDA VIC 3182