



## Baru Resources Limited

ACN 147 324 847 ABN 50 147 324 847

Level 4, 100 Albert Road, South Melbourne, VIC 3205

Phone: (03) 9692 7222

Fax: (03) 9077 9233

Email [generaladmin@baru.com.au](mailto:generaladmin@baru.com.au)

Website [www.baru.com.au](http://www.baru.com.au)

12 October 2012

## SEPTEMBER 2012 QUARTERLY REPORT

### Board of Directors

Peter Avery (Chairman)

Kevin Nichol (Executive Director)

Andrew Bald (Non-executive Director)

### Chief Executive Officer

Matt Bull

### Company Secretary

Melanie Leydin

### Quarterly Share Price Activity

Low \$0.055

High \$0.079

Close \$0.055

### Securities on Issue:

**BAC:** 49,796,009 ordinary shares

**BACO:** 42,898,005 20c listed options

### Market Capitalisation as at 30 September 2012:

\$2,739,000

### Highlights

The following highlights occurred during the September 2012 quarter:

- An independent review of the thermal coal potential utilizing publically available information for the Longreach Project produced an exploration target of 582 to 6,171Mt, (**Table 1**).
- A review of the extensive seismic data covering the project area is currently underway to highlight the highest priority areas for an initial drilling program.
- It is expected that the coal will occur between 20-250m and be suitable for open cut mining.
- Further positive exploration results continue to be released by companies exploring the Eromanga Basin to the south of the Longreach project confirming the large tonnage potential of the Basin.
- The first tenement within the Longreach Project EPC2840 is expected to be granted in the December quarter which will allow exploration to commence.

Baru Resources total project area comprises 22 tenements (7 granted Coal Exploration Permits and 15 Coal Application Exploration Permits) covering a total of ~20,000km<sup>2</sup> within the Eromanga and Galilee Basins.

## About Baru Resources Limited

Baru Resources Limited ("Baru" or "the Company") is an Australian public company that is focused on the identification and development of export hard coking coal and export thermal coal projects. The company has three projects areas all located in Queensland, the Longreach Project, the West Galilee Project and the Galilee Project.

## Longreach Project

The Longreach Project consists of six (6) EPCA's totaling 5099.6km<sup>2</sup> is located in Central Queensland, near the township of Longreach 716km west of Gladstone. The tenements are aligned north south and stretch 160km north to 45km south of Longreach. The tenements were pegged by Baru Resources in late 2011 to compliment the Company's existing Queensland coal project. (Figure 1)

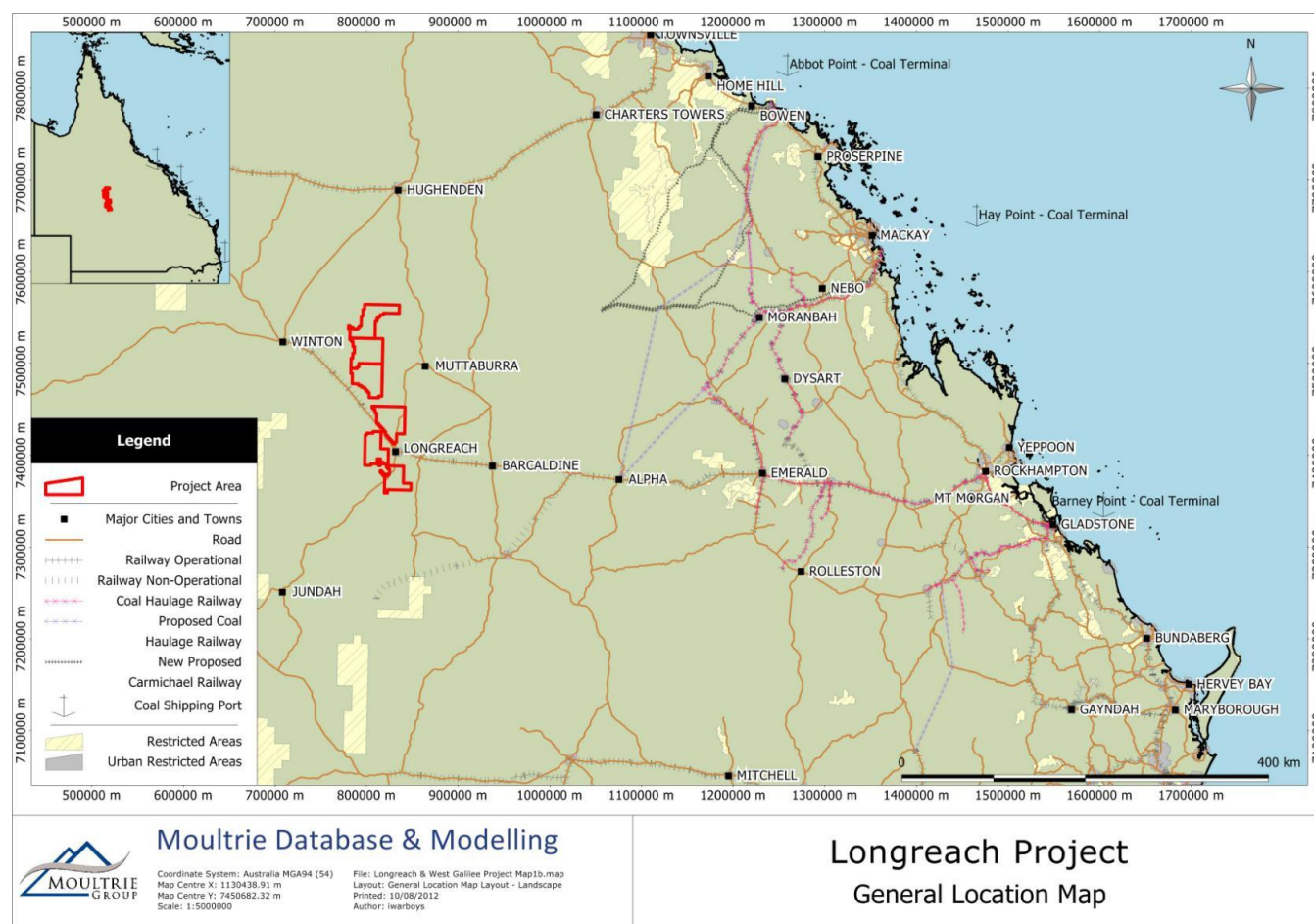


Figure 1 - Longreach Project Location

**Table 1 - Exploration Target Tonnage Range for the Longreach Project Area**

| EPC          | Area (km <sup>2</sup> ) | Seam Thickness Range (m) | Relative Density Range (mg/kg <sup>3</sup> ) | Minimum Exploration Target (Mt) <sup>1</sup> | Maximum Exploration Target (Mt) <sup>1</sup> |
|--------------|-------------------------|--------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|
| <b>2837</b>  | 949.6                   | 0.15 – 2.40              | 1.45 - 1.55                                  | 85.1                                         | 876.8                                        |
| <b>2838</b>  | 727.3                   | 0.15 – 2.40              | 1.45 - 1.55                                  | 82.0                                         | 661.3                                        |
| <b>2839</b>  | 951.4                   | 0.15 – 2.40              | 1.45 - 1.55                                  | 98.0                                         | 1866.3                                       |
| <b>2840</b>  | 571.6                   | 0.15 – 1.00              | 1.45 - 1.55                                  | 124.3                                        | 531.6                                        |
| <b>2912</b>  | 946.4                   | 0.15 – 1.20              | 1.45 - 1.55                                  | 57.0                                         | 418.4                                        |
| <b>2917</b>  | 953.4                   | 0.15 – 2.40              | 1.45 - 1.55                                  | 159.2                                        | 1817.6                                       |
| <b>Total</b> | <b>5099.6</b>           | -                        | -                                            | <b>582.2</b>                                 | <b>6171.9</b>                                |

<sup>1,2</sup> Constraints on the Exploration Target Tonnages are as follows:

- 1.) 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 some evidence to support the current exploration tonnage calculations and the sufficient coal thicknesses interpreted from historic drilling, to warrant further investigation in some areas;
- 2.) Coal thicknesses <0.15 m excluded;
- 3.) The depth range of estimation was from the base of weathering to 650 m below natural topography;
- 4.) A confidence factor varying from 10-80% was applied to the initial estimation. This accounts for unexpected geological loss, mainly due to seam splitting and thinning over large distances between boreholes.

## **Regional Geology**

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

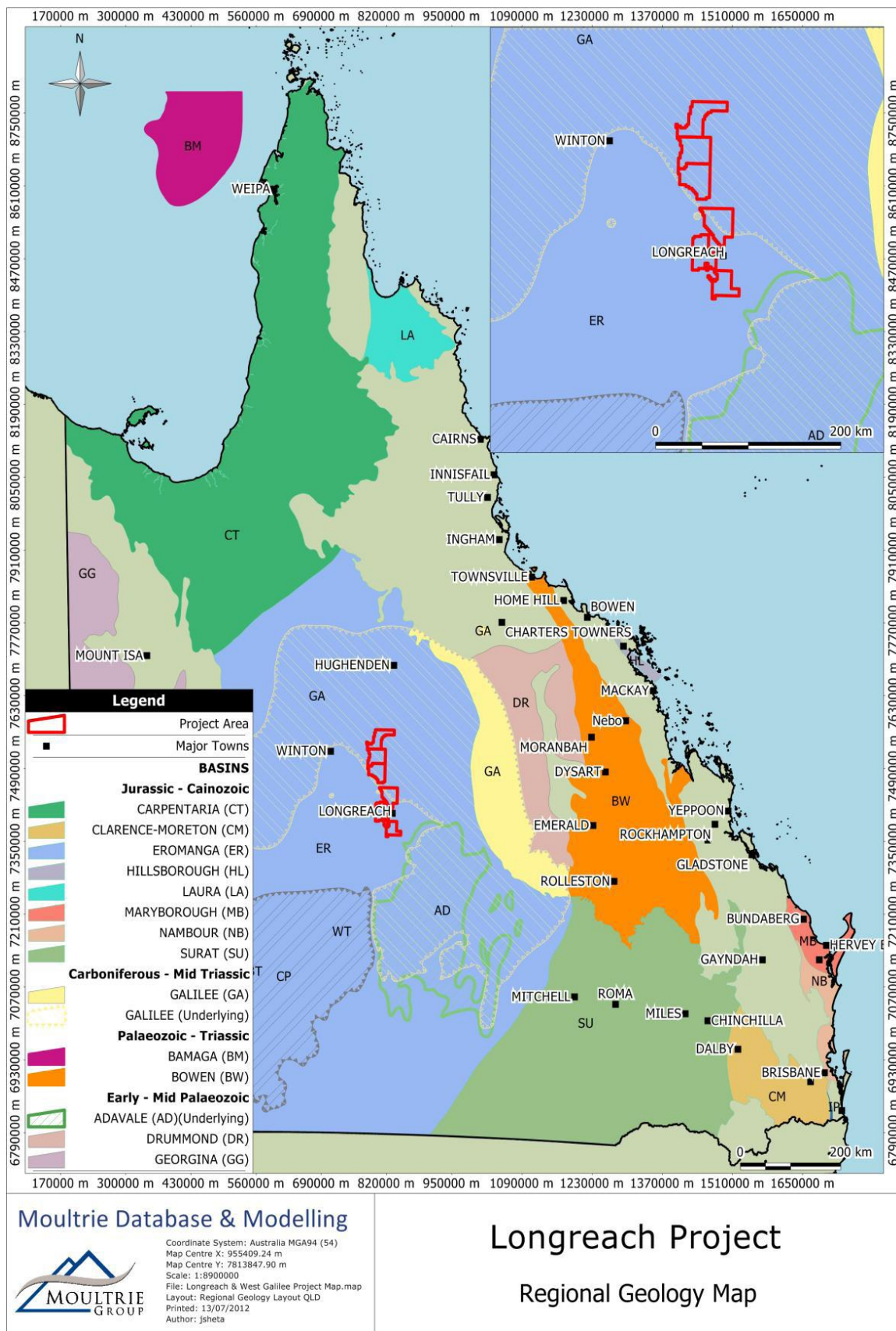


Figure 2 - Regional Geology Map

## Local Geology

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

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

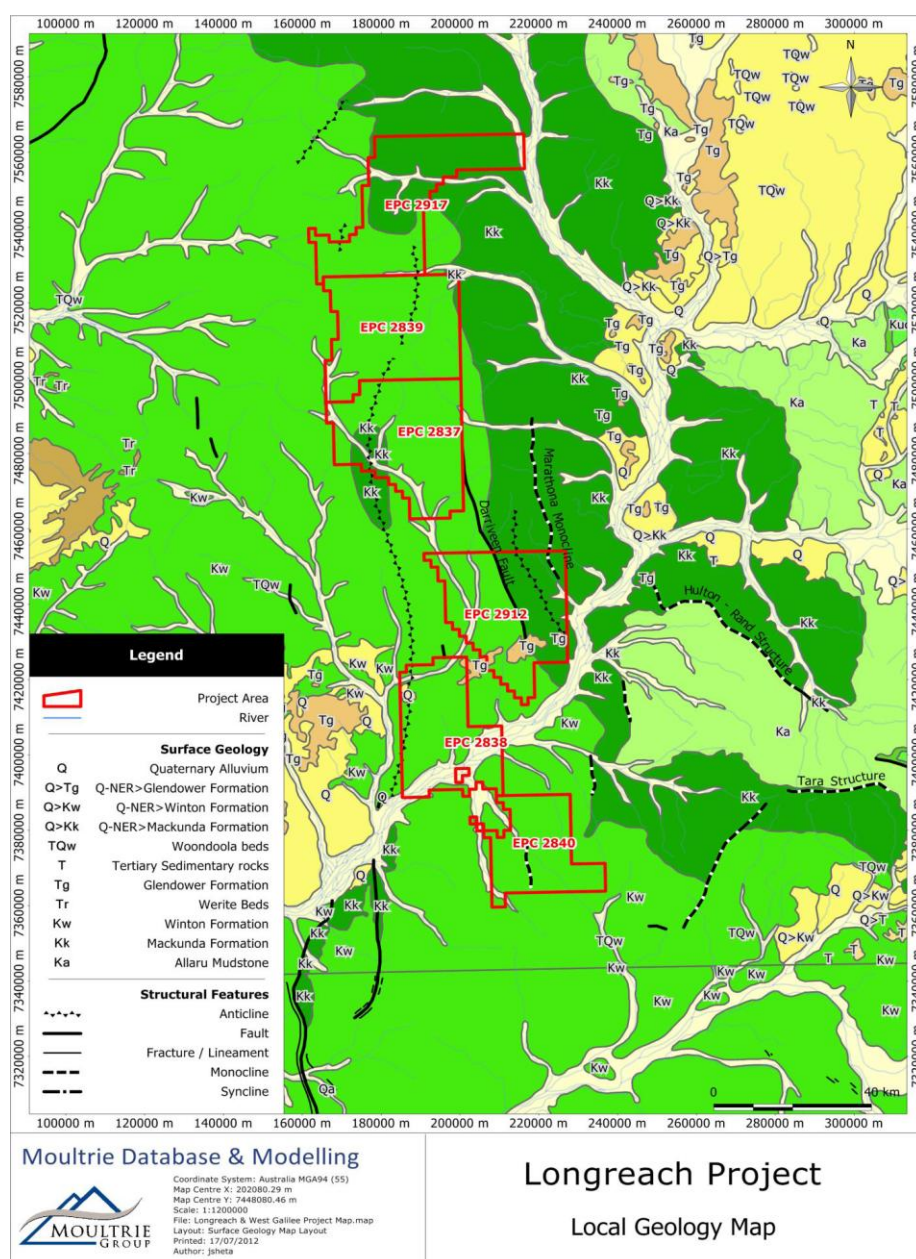


Figure 3 - Local Geology Map

## **Nearby Coal Resources**

There are no operating coal mines within the vicinity of the Longreach Project area. However the tenements are located north of projects held by East Energy Resources (EER), International Coal (ICX), Coal Bank Limited (CBQ) and NSL Consolidated (NSL). All four companies are targeting large tonnage thermal coal Resources within the lower part of the Winton Formation. Three of these companies have now announced large tonnage JORC compliant resources East Energy Resources 1.74 billion tonnes at its Blackall Project, International Coal 728 million tonnes at its South Gumbardo Creek Project and Coal Bank Limited's 1.3 billion tonnes at its Inverness Project. All three identified deposits have thick average cumulative coal seams of between 6-14m; all are shallow to flat dipping and occur in the first 200m from surface. As a result they are expected to have low waste to coal ratios.

In addition thick intersections of coal have been reported by Sentry Petroleum directly to the south of the Longreach Project. And Liberty Resources have defined a JORC compliant Coal resource at depth in the Betts Creek Formation of the Galilee Basin to the east of the Project area. The locations of these resources are shown in **Figure 4** and a brief summary of each is provided below.

## **East Energy Resources**

The Blackall Coal Deposit (MDL 464 application) is within East Energy Resources Ltd's (EER) EPC1149, located approximately 145km southeast of the Longreach Project tenements. In September 2012 East Energy Resources announced an upgraded JORC-compliant Inferred Resource of 1.74Bt including 627.5Mt of Indicated Resource, with an additional 1113Mt of Inferred Resource at their Blackall Coal Project. The project has a predicted mine life of more than 30 years which has been determined using a cut-off depth of 150 m. The project was estimated to have a potential 20Mt per annum output, using a simple open-cut multi-pit mining operation with a low strip ratio. The deposit includes coal seams within the Winton and Mackunda Formations of the Eromanga Basin.

## **Coal Bank Limited**

In June 2012, Coalbank Ltd (CBQ) announced a JORC-compliant 1.3Bt Inferred Resource for the Inverness Deposit. The deposit is located approximately 140km southeast of the Longreach Project area; within EPC 1993 and EPC1719. The Resource includes 825Mt of Inferred Resources estimated at less than 50m depth, and 1.249Bt of Inferred Resources estimated at less than 100m depth. The deposit occurs within the Winton Formation.

## **International Coal**

International Coal Ltd (ICX) announced a JORC-compliant 728Mt Inferred Resource at its South Gumbardo Creek Project (formerly referred to as the South Blackall Project) in April 2012. The deposit is located within EPC2197, 275km south of the Longreach Project tenements. The Inferred Resource is hosted within the Winton and Mackunda Formations at depths of less than 250m. In July 2012, ICX announced technical results from their Phase 1 drilling program and reported relatively flat lying coal seams with deposit extents open in all direction. Initial coal quality testing indicated a low-medium ash, low sulphur, sub-bituminous coal. The Phase 2 drilling program has commenced to test the north-eastern and north-central areas of EPC2197.

### **Sentry Petroleum**

Sentry Petroleum Ltd (NASDAQ: SPLM) announced "...a potential coal and carbonaceous shale deposit in excess of 2,000 square miles..." (non-JORC) within their petroleum exploration leases EPP862 and EPP864). The two adjacent Exploration Permits Petroleum (EPP) are located immediately west of East Energy Resources Ltd's EPC1149, with EPP864 overlapping western parts of EPC1149. The deposit is being developed as a coal seam gas prospect targeting a "coal zone". The coal zone consists of coal, muddy coal, coaly mudstone and carbonaceous rocks that occur predictably near the base of the Winton Formation, or in the Upper Mackunda Formation, across the Blackall Trough. Details of two coal seam gas wells drilled by Sentry Petroleum in the southern region of EPP862 indicate coal zones within the lower Winton Formation at depths between 180 and 460m. The wells were drilled 81km and 110km south of the Longreach Project's EPC2840.

### **Liberty Resources**

Boab Energy, a subsidiary of Liberty Resources Ltd (LBY), applied for Mine Development License (MDL) 408 on 11 March 2009. MDL 408 is located approximately 40km east of the Longreach Project Area. The MDL application area contains a 338Mt JORC Inferred Coal Resource. The project has since become known as the Rodney Creek Project, and will target coal seams in the Betts Creek Beds of the Galilee Basin for the purpose of underground gasification.

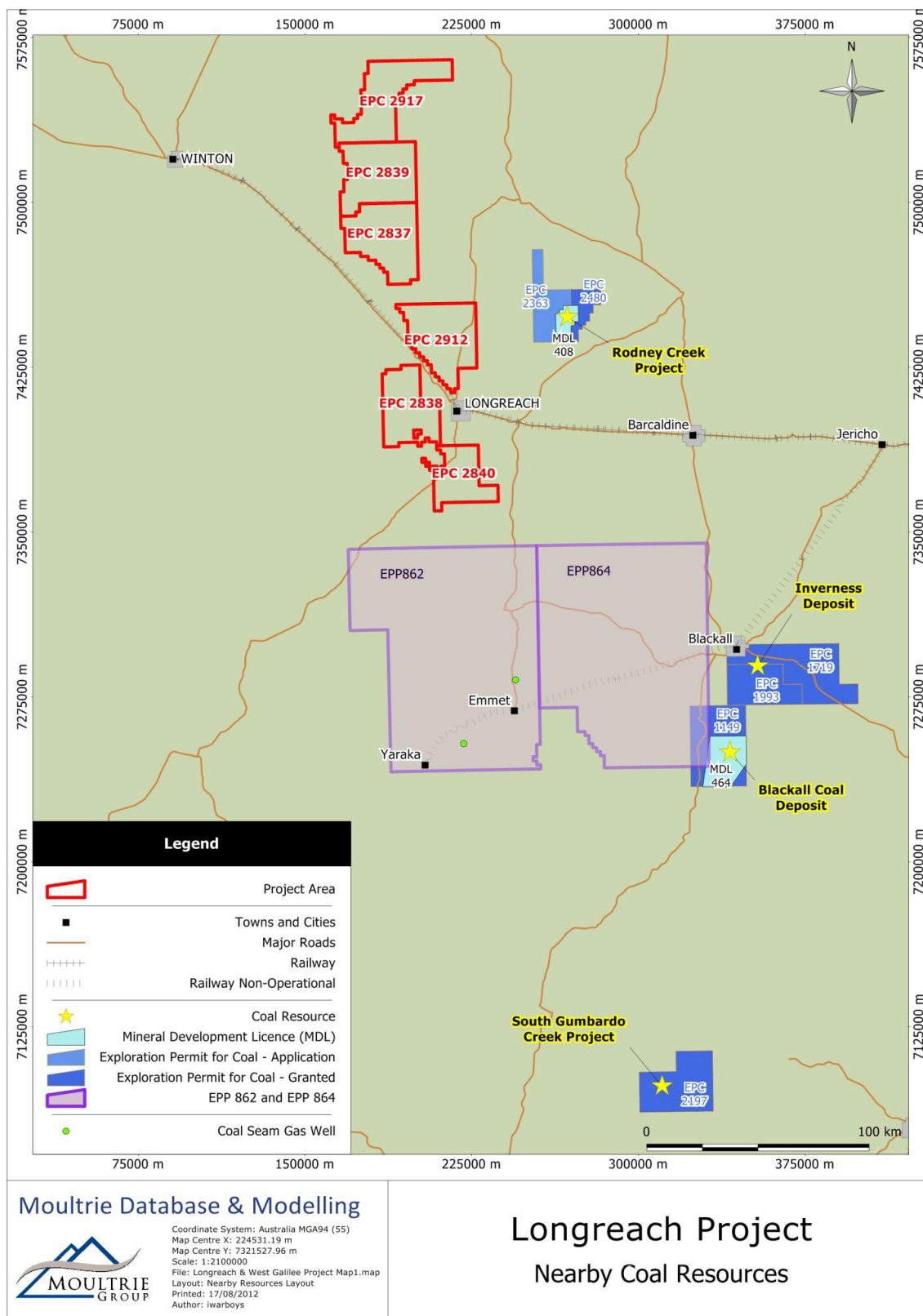


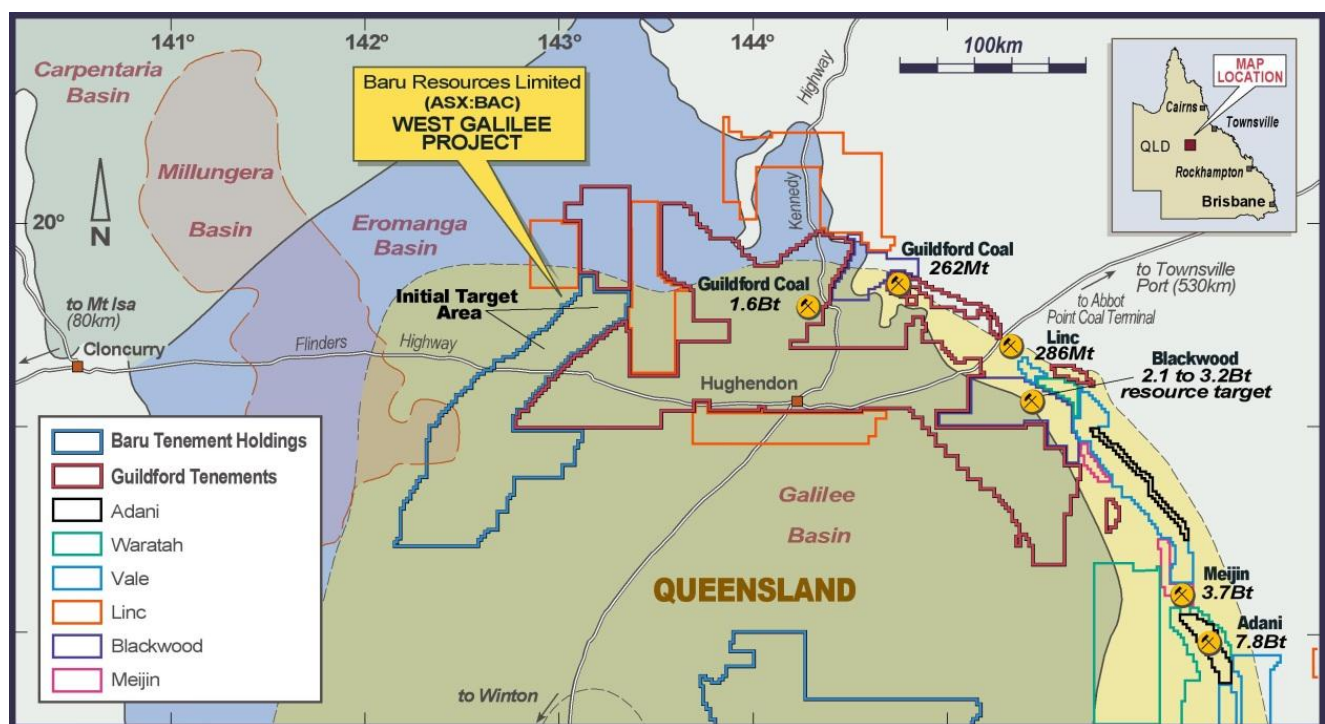
Figure 4 - Nearby Coal Resources

## West Galilee Project

The West Galilee Project is comprised of 7 contiguous, granted Exploration Coal Permits covering an area of 6,732.4km<sup>2</sup>. The project area is some 375km east of Mt Isa and 16km west of the town of Richmond, close to the northern margin of the Eromanga Basin, which overlies the Galilee Basin and the newly defined Millungera Basin (refer to **Figure 5**.)

Significant exploration success on the eastern margin of the basin has resulted in the definition of a series of large tonnage thermal coal deposits as can be seen in **Figure 5** below. It is expected that the same sequence continues under the West Galilee Project. Initial exploration will target the northern and western margin of the basin where it is believed that these seams will occur closest to the surface.

Baru Resources has received approvals to commence drilling and is currently looking for a JV partner to help advance the project.



*Figure 5 - Regional Geology: Sedimentary Basins and Guildford Coals Surrounding Tenements and Deposit Location*

## Galilee Project

The Galilee Project consists of 9 EPCA's, 8,484.9km<sup>2</sup> in area. The project is situated on the margin of the Galilee basin in Central Queensland.

There has been limited exploration for coal within the project area to date, however Exoma Energy Limited has been conducting an extensive drilling program targeting coal seam gas within the Betts Creek beds and has intersected thick intervals of coal throughout and adjacent to the project area. The success of this drilling has highlighted the potential for large tonnages of coal potentially suitable for underground coal gasification with the Aramac and Betts Creek Beds. Baru is currently assessing options to advance this project.

Details of the Longreach, West Galilee and Galilee Project tenements are detailed within Tables 2, 3 and 4.

**Table 2 - West Galilee Exploration Pty Ltd Tenement Details**

| Tenure   | Status  | Date Lodged | Date Granted | Date Expires | Principal Holder                 | No. of Sub blocks |
|----------|---------|-------------|--------------|--------------|----------------------------------|-------------------|
| 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               |
| EPC2075* | Granted | 04-Mar-10   | 13-Jun-12    | 12-Jun-14    | 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               |

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

**Table 3 – Longreach Project Tenement Details**

| Tenure   | Status       | Date Lodged | Date Granted | Date Expires | Principal Holder   | No. of Sub blocks |
|----------|--------------|-------------|--------------|--------------|--------------------|-------------------|
| EPCA2837 | Application  | 10-Oct-11   | TBA          | TBA          | Baru Resources Ltd | 300               |
| EPCA2838 | Application  | 10-Oct-11   | TBA          | TBA          | Baru Resources Ltd | 231               |
| EPCA2839 | Application  | 10-Oct-11   | TBA          | TBA          | Baru Resources Ltd | 300               |
| EPCA2840 | Application  | 10-Oct-11   | TBA          | TBA          | Baru Resources Ltd | 182               |
| EPCA2912 | Applications | 13-Dec-11   | TBA          | TBA          | Baru Resources Ltd | 300               |
| EPCA2917 | Applications | 13-Dec-11   | TBA          | TBA          | Baru Resources Ltd | 298               |

*The Longreach Project is 100% owned by Baru Resources.*

**Table 4 – Galilee Project Tenement Details**

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

*The Galilee Project is 100% owned by Baru Resources.*

**For further information:**

**Kevin Nichol**  
**Executive Director**

***#Exploration Target***

*References to Exploration Targets in this document are in accordance with the guidelines of the JORC Code (2004). As such it is important to note that in relation to reported Exploration Targets any references to quality and quantity are conceptual in nature. Exploration carried out to date is insufficient to be able to estimate and report coal resources in accordance with the JORC Code (2004). It is uncertain if further exploration will result in the determination of a Coal Resource.*

***Competent Persons Statement***

*Technical Information in this Report on Longreach Project Exploration Target has been prepared by Kim Maloney who has over 10 years of experience in coal mining and extractive industry throughout Australia. Kim has experience within the Central Queensland coal mines and has held various roles in these mine's Technical Services, including Exploration Geologist, Mine Geologist and Geology Superintendent. Kim is a Competent Person for coal as defined by the JORC Code (2004). Kim is a Senior Resource Geologist within Moultrie Database & Modelling, a part of the Moultrie Group and holds the position of General Manager. Her principal qualifications are a Bachelor of Science from James Cook University and a Masters of Business Administration (Human Resource Management) from the Central Queensland University. Kim is a Member of The Australasian Institute of Mining & Metallurgy (# 229120) and a Member of the Bowen Basin Geological Group.*

*The estimates of the Coal Resources presented in this Report are considered to be a true reflection of the Coal Resources as at 10<sup>th</sup> October 2012 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).*