



Baru Resources Limited

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22 October 2013

SEPTEMBER 2013 QUARTERLY REPORT

Board of Directors

Peter Avery (Chairman)

Kevin Nichol (Managing Director)

Ian Lovett

Danie Van Den Bergh

Philip Thick

Company Secretary

Melanie Leydin

Quarterly Share Price Activity

Low \$0.040

High \$0.051

Close \$0.040

Securities on Issue:

BAC: 142,474,719 ordinary shares

BACO: 42,898,005 20c listed options

BACU: 12,500,000 9c listed options

BACUA: 1,000,000 20c listed options

Market Capitalisation as at 22 Oct 2013:

\$5,698,989

Baru Resources Limited ("Baru" or "the Company") provides the following highlights during the September 2013 quarter:

- Continued to focus on its recommended Off-market takeover of the shares in Argosy Minerals Limited ('AGY') which holds the Area 51 Graphite Project in Namibia. At the end of the quarter the Company had received acceptances from shareholders of AGY amounting to 68.69% of the AGY shares on issue.

The Area 51 Graphite Project in Namibia

EPL 4335 & EPL 4079. Phase One.

A Namibia site visit was carried out between the 22nd and 25th of September. During the visit, three main areas of initial interest were investigated and samples were taken. A decision was made to appoint Minron Consultants as the geological consultants and Gregory Symons Geophysics as the geophysical team. Both of these consultants are locally based.

The exploration proposal includes an Exploration Plan covering the target areas in detail traverses access routes, geophysics (external) Geographic Information System Work, sampling points and time frames.

Little exploration and geological investigation work has been performed in the area. Previous exploration work for tin and tungsten identified promising lithologies of graphite schists in the area. These results were never tested for grade.

The potential for exploration and finding graphite rich deposits will be within the sections of the Karibib and Chuos Formations. Both these formations contain a number of different rock lithologies. These layers host units of graphite schists which are of specific interest.

Once the mapping which defines the project area is completed, the demarcation of the host area of graphite can be determined. Metallurgical test work on collected samples will indicate the liberalisation potential and hence the potential economic viability of the project area. SGS will perform the metallurgical sampling and testing in South Africa.

Electro Magnetic Conductivity (EMC) analysis and Induced Polarity (IP) will commence in conjunction with the other initial field work to be carried out. We will systematically define the targets before a drilling program is planned. Drilling on defined targets is planned for the first quarter of 2014.

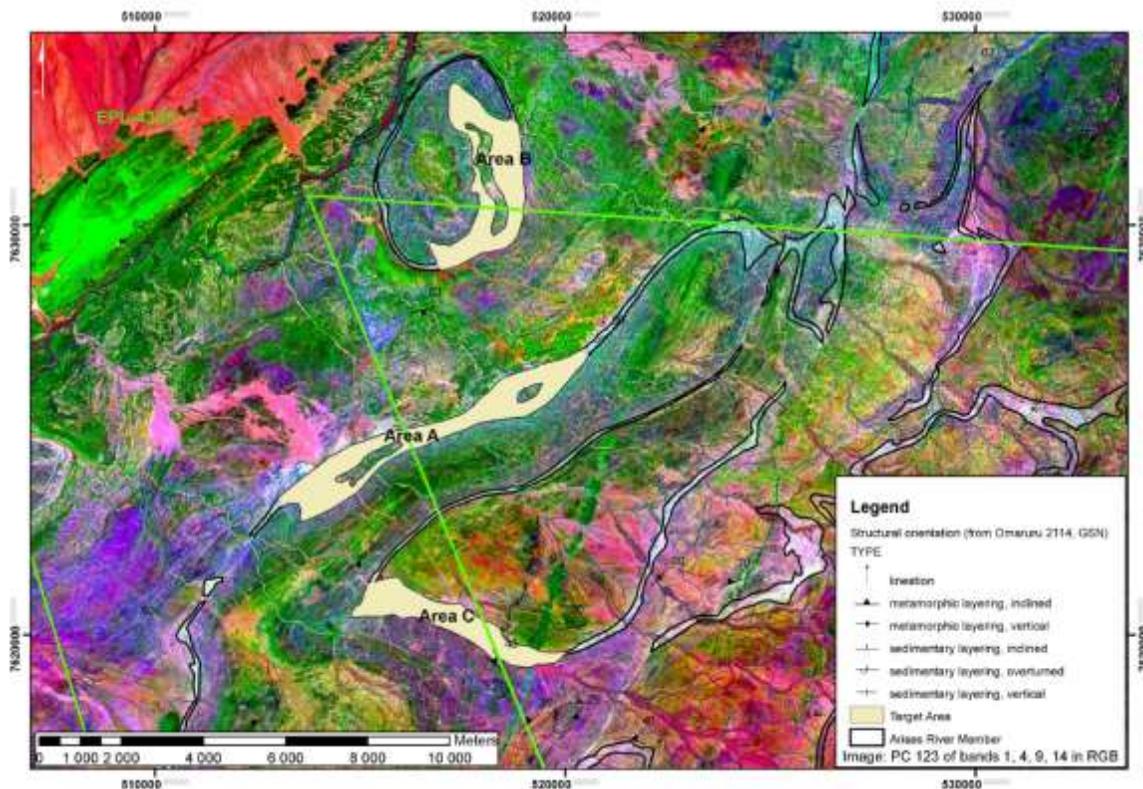


Figure 1: Current target areas

Work will commence on or about the 21 October 2013 and initial results will be due around the time of the Company's 2013 Annual General Meeting, which will be held in Perth on 22 November 2013.

Myanmar Project

In February Baru Resources acquired 100% interest in Horizon mines. Horizons Mines holds 5 tenement applications in Myanmar, shown in **Figure 1**. These Applications target porphyry copper/gold mineralisation as well as potential smaller, higher grade epithermal and sediment hosted gold deposits. There are also old mines noted within the permit applications.

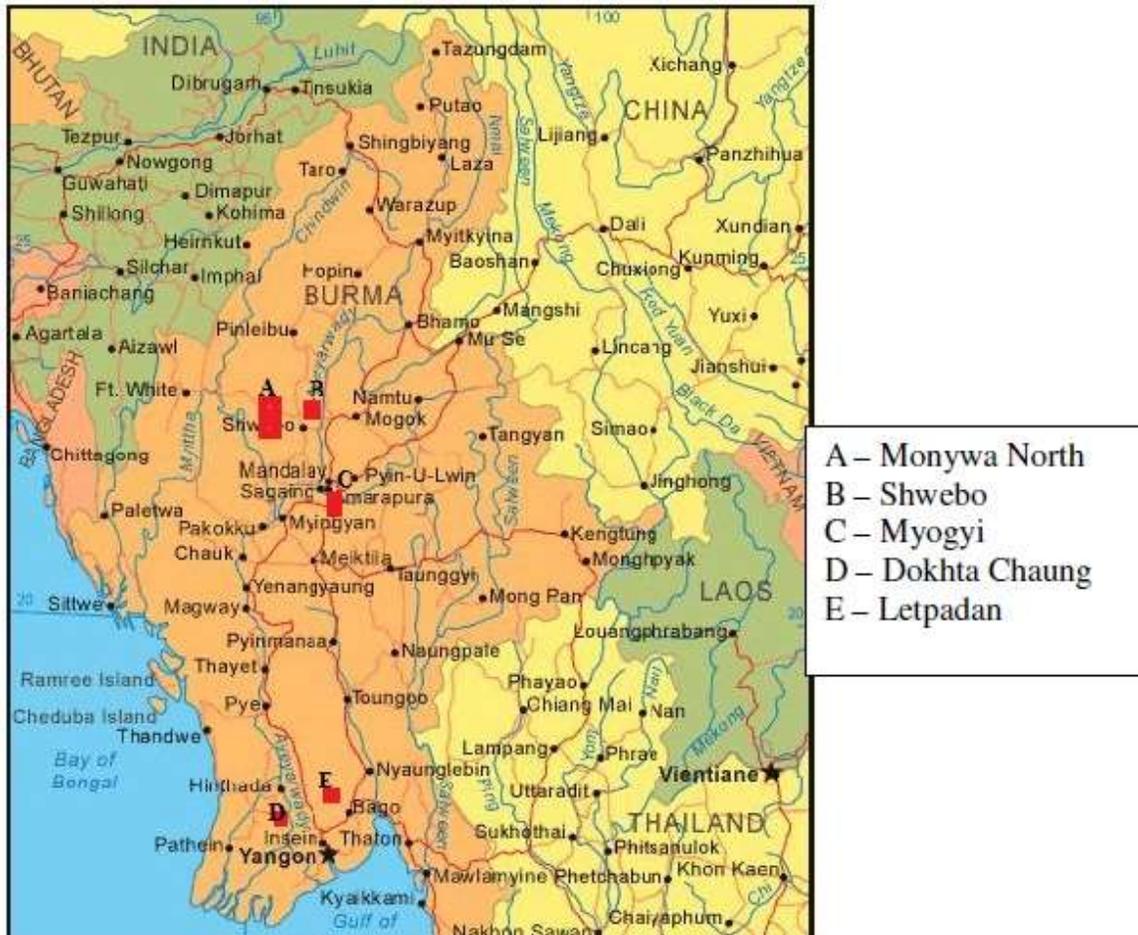


Figure 1 – Map of Myanmar Showing the Locations of Horizon mines applications

In addition to copper/gold mineralisation, Myanmar is prospective for other economically important metals. There are distinct ultramafic zones (prospective for Cr, Ni, Cu, Mg and Pt), as well as acid intrusive and extrusive style mineralisation in Precambrian age rocks (prospective for Pb, Zn, Ag, Mo, Cu and Au). More recent periods of granitic volcanism in the east of the country has resulted in tin, tungsten and antimony mineralisation.

The country is therefore highly prospective for a wide range of metals and mineralisation types and is virtually unexplored by modern exploration techniques. It is located on the structure that extends from Indonesia.

Exploration Target

The initial exploration targets following evaluation of zones of mineralisation, previous mines and geology are;

- Porphyry type Cu/Au deposits associated with acid to intermediate volcanic and sub volcanic intrusives. These will be Oligocene to Miocene in age and will lie in the Central Volcanic Arc of Myanmar.

- Epithermal gold and VMS associated with granitic rocks of Miocene age also in the Central Volcanic Arc.
- Letpadaung style mineralisation (highly prospective for Cu) in the Eastern Highland Belt.
- Porphyry and Kuroko deposits near the Monywa mineralised shear zone.
- Other mineralisation styles and metals that may be noted once the exploration program is established. Given the early stage of modern exploration in the country there could be significant discoveries still to be made in many different commodities. For instance the company's application in the SW contains several noted graphite prospects.

The Transaction

Baru will pay \$75,000 cash (\$10,000 on signing of this agreement) to the vendors of the Project and issue 400,000 fully paid ordinary shares in the Company upon receipt of the granted applications from the Department of Geological Survey and Mineral Exploration.

Payment of cash and shares is subject to 60 days Due Diligence and other regulatory approvals. It is proposed that Baru will conduct exploration of the tenements over the next 12 months following the grant of the last exploration licence with a proposed investment amount of \$200,000.

Summary

Myanmar represents a highly prospective geological terrain which is expected to generate a large number of high quality deposits over the next 5-10 years as the country is now open for exploration. The country has a wide range of mineralisation types and commodities and Baru Resources will be in a position to acquire some of the most prospective ground by being one of the first explorers into the country.

Longreach Project

The Longreach Project consists of one (1) EPC and three (3) EPCAs approximately 3,241.2km² and is located in Central Queensland, near the township of Longreach 716 km west of Gladstone. The tenements are aligned north south and stretch 160km north to 45km south of Longreach. The tenements were pegged by Baru Resources in late 2011 to complement the Company's existing Queensland coal project.

Subsequent to the end of the quarter

On 1 October 2013, the Company announced an extension of the Offer to the shareholders of Argosy Minerals through the Company's Off-market takeover offer dated 2 September 2013, extending the closing date to 5.00pm (Perth time) on 31 October 2013.

On 3 October 2013, Mr Danie Van Den Bergh and Mr Philip Thick, who are also Directors of AGY, were appointed as Directors of the Company.

On 4 October 2013, the Company issued 92,678,710 fully paid ordinary shares in BAC to shareholders of Argosy Minerals Limited who have accepted the offer made by the Company, representing 73.54% of the shares on issue in Argosy Minerals Limited.

As at the date of this report, the Company processed acceptances amounting to 81.78% of the issued capital in AGY. The Company has the Off-market takeover offer open until 31 October 2013 and expects to increase its holding in AGY towards the 90% compulsory acquisition threshold. It is the intention of Baru Resources Limited to acquire 100% of the issued capital in AGY.

Corporate

The board of Baru has been able to increase the Company's cash position for the third consecutive quarter.

The Company has approximately \$2.5 million in cash at the end of the quarter.

Mr Danie Van Den Bergh and Mr Philip Thick were appointed as Directors of the Company. Details of these Directors are noted below:

Mr Van Den Bergh has worked at various Anglo American operations over a period of 26 years. Thereafter he joined Durban Roodepoort Deep as their new business executive, during which time he gained extensive experience internationally and in various countries in Africa. He joined Investec Bank in their corporate finance division for four years during which time he was involved in various projects including company listings. He was also a partner in an independent corporate advisory company where he specialised in the financial valuation of projects. Mr Van Den Bergh is currently a shareholder and director in various mining ventures.

Mr Thick worked as an engineer for Alcoa Australia Limited for 5 years before joining Shell Australia Limited. His 20 year career with Shell covered roles in most cities around Australia and a 3 year appointment in London. He was an Executive Director of Shell Australia Limited from 2003 to 2006 responsible for the Downstream Oil business across Australia and the Pacific Islands. Mr Thick was CEO and a Director of Coogee Chemicals Pty Ltd for 4 years until June 2012 and is currently Managing Director of listed company New Standard Energy. He is also Chairman of Perth Home Care Services and a Director of MHM Metals Limited.

For further information:

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Managing Director

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About Baru Resources Limited

Baru Resources Limited (“Baru” or “the Company”) is an Australian public company that is focused on the deliniation and development of the Area 51 Graphite Project in Namibia. The Company is currently in the process of an Off-market takeover of all the shares in Argosy Minerals Limited. The Company is active in assessing other potential projects that would enhance the current project base.