

Baru Resources Limited
Corporate Governance Statement

The Board of Directors ('the Board') of Baru Resources Limited (the 'Company') is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Company's compliance with the ASX Corporate Governance Council's Revised Principles and Recommendations.

Principles and Recommendations	Compliance	Comply	
Principle 1 – Lay solid foundations for management and oversight			
1.1	<p>Establish the functions reserved to the Board and those delegated to manage and disclose those functions.</p>	<p>The Board is responsible for the overall corporate governance of the Company.</p> <p>The Board has adopted a Board charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management.</p> <p>On appointment of a director, the Company issues a letter of appointment setting out the terms and conditions of appointment to the Board.</p>	Complies.
1.2	<p>Disclose the process for evaluating the performance of senior executives.</p>	<p>The Board meets annually to review the performance of executives. The senior executives' performance is assessed against performance of the Company as a whole.</p>	Complies.
1.3	<p>Provide the information indicated in <i>Guide to reporting on Principle 1</i>.</p>	<p>A Board charter has been disclosed on the Company's website and is summarised in this Corporate Governance Statement.</p> <p>A performance evaluation process is included in the Board Charter, which has been disclosed on the Company's website and is summarised in this Corporate Governance Statement.</p> <p>The Board will conduct a performance evaluation for senior executives at June 2012 in accordance with the process above.</p>	<p>Complies.</p> <p>Complies.</p> <p>Complies.</p>
Principle 2 – Structure the Board to add value			
2.1	<p>A majority of the Board should be independent directors.</p>	<p>The majority of the Board's directors are not independent directors of the Company.</p> <p>Mr Richard Anthon is a Non-Executive Director and Chairman.</p> <p>Mr Kevin Nichol is an Executive Director.</p> <p>Mr Peter Avery is a Non-Executive Director.</p>	<p>Due to the Company's size, the Board considers that a majority of independent Directors is not currently warranted. As the Company's activities expand, this policy will be reviewed, with a view to aligning the Company's policies to conformity with this recommendation. The Board recognises that Directors remain in office for the benefit of and are accountable to shareholders and that shareholders have the voting power to elect members to the Board regardless of their standing, independent or</p>

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2.2 The chair should be an independent director.	Mr Richard Anthon is the Chairman and is not an independent Non-Executive Director.	otherwise. Whilst the Board recognises that it is desirable for the Chairman to be an independent director, the Company's current early stage of development and size dictate that this is the most efficient mode of operation at the current time. The Board will review the appointment of an independent Chairperson should the Company's size and growth warrant this.
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	Mr Richard Anthon is the Chairman and Mr Matthew Bull is the Chief Executive Officer.	Complies.
2.4 The Board should establish a nomination committee.	<p>The Company has established a Nomination and Remuneration Committee which consists of the entire Board.</p> <p>The Board has undertaken a review of the mix of skills and experience on the Board in light of the Company's principal activities and direction, and has considered diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the Company.</p> <p>The Board supports the nomination and election of the incumbent directors at the Company's Annual General Meeting.</p>	Complies
2.5 Disclose the process for evaluating the performance of the Board, its committees and individual directors.	<p>The Company conducts the process for evaluating the performance of the Board, its committees and individual directors as outlined in the Board Charter which is available on the Company's website.</p> <p>The Board's induction program provides incoming directors with information that will enable them to carry out their duties in the best interests of the Company. This includes supporting ongoing education of directors for the benefit of the Company.</p>	Complies.
2.6 Provide the information indicated in the <i>Guide to reporting on Principle 2</i> .	<p>This information has been disclosed (where applicable) in the Company's Prospectus and on the Company's website.</p> <p>The Company does not currently have any independent Directors. A director is considered independent when he substantially satisfies the test for independence as set out in the ASX</p>	Complies. Complies

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	<p>Corporate Governance Recommendations.</p> <p>Members of the Board are able to take independent professional advice at the expense of the Company.</p> <p>Mr Richard Anthon, Non-Executive Chairman, was appointed to the Board at incorporation of the Company in November 2010.</p> <p>Mr Kevin Nichol, Executive Director, was appointed to the Board at incorporation of the Company in November 2010.</p> <p>Mr Peter Avery, Non-Executive Director, was appointed to the Board at incorporation of the Company in November 2010.</p> <p>Mr Matthew Bull, Chief Executive Officer was appointed in August 2011.</p> <p>The Board has undertaken a review of the mix of skills and experience on the Board in light of the Company's principal activities and direction, and has considered diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the Company.</p> <p>In accordance with the information suggested in <i>Guide to Reporting on Principle 2</i>, the Company has disclosed full details of its directors in the Prospectus. Other disclosure material on the Structure of the Board has been made available on the Company's website.</p>	
Principle 3 – Promote ethical and responsible decision making		
3.1	<p>Establish a code of conduct and disclose the code or a summary of the code.</p> <p>The Board has adopted a code of conduct. The code establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct.</p> <p>The code is available on the Company's website.</p>	Complies.
3.2	<p>Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving</p> <p>The Board has undertaken a review of the mix of skills and experience on the Board in light of the Company's principal activities and direction.</p> <p>The Board has adopted a Diversity Policy that considers the benefits of diversity, ways to promote a culture of diversity, factors to be taken into account in the selection process of candidates for Board and senior management positions in the Company, education programs to develop skills and experience in preparation for Board and senior management positions, processes to include review and appointment</p>	Complies

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<p>3.3</p> <p>them.</p> <p>Provide the information indicated in <i>Guide to reporting on Principle 3</i>.</p>	<p>of directors, and identify key measurable diversity performance objectives for the Board, CEO and senior management.</p> <p>The Company will report in each annual report the measurable objectives for achieving gender diversity set by the Board.</p> <p>The Company will include in the directors' report the proportion of women employees and their positions held within the Company.</p>	<p>Complies</p> <p>Complies.</p>
<p>Principle 4 – Safeguard integrity in financial reporting</p>		
<p>4.1</p> <p>The Board should establish an audit committee.</p>	<p>The Board has established an audit and risk committee which operates under an audit and risk committee charter to focus on issues relevant to the integrity of the Company's financial reporting.</p>	<p>Complies.</p>
<p>4.2</p> <p>The audit committee should be structured so that it consists of only non-executive directors, a majority of independent directors, is chaired by an independent chair who is not chair of the Board and have at least 3 members.</p>	<p>The audit and risk committee consists of the entire Board. Mr Peter Avery (Chair of the audit and risk committee) is a Non-Executive Director and is not chair of the Board. The committee consists of two non-executive directors.</p>	<p>Complies</p>
<p>The audit committee should have a formal charter.</p>	<p>An audit and risk management charter has been adopted by the Audit and Risk Management Committee</p> <p>This charter is available on the Company's website.</p>	<p>Complies.</p>
<p>4.4</p> <p>Provide the information indicated in <i>Guide to reporting on Principle 4</i>.</p>	<p>In accordance with the information suggested in <i>Guide to Reporting on Principle 2</i>, this has been will be in the directors' report in the Company's 2012 Annual Report and is summarised in this Corporate Governance Statement.</p> <p>The members of the audit and risk committee are appointed by the Board and recommendations from the committee are presented to the Board for further discussion and resolution.</p> <p>The audit and risk committee have not held any meetings to date and will meet at least twice per annum as a listed entity.</p> <p>The audit and risk charter, and information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners (which is determined by the audit committee), is available on the Company's website.</p>	<p>Complies.</p>

Principle 5 – Make timely and balanced disclosure

5.1	Establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has adopted an ASX Disclosure Policy, to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001. This policy is available on the Company's website.	Complies.
5.2	Provide the information indicated in the <i>Guide to reporting on Principle 5</i> .	The Company's ASX Disclosure policy is available on the Company's website.	Complies.

Principle 6 – Respect the rights of shareholders

6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	The Company has adopted a shareholder communications policy. The Company uses its website (www.baru.com.au), annual report, market announcements, media disclosures and webcasting to communicate with its shareholders, as well as encourages participation at general meetings. This policy is available on the Company's website.	Complies.
6.2	Provide the information indicated in the <i>Guide to reporting on Principle 6</i> .	The Company's shareholder communications policy is available on the Company's website.	Complies.

Principle 7 – Recognise and manage risk

7.1	Establish policies for the oversight and management of material business risks and disclose a summary of these policies.	The Company has adopted a risk management statement within the audit and risk committee charter. The audit and risk committee is responsible for managing risk; however, ultimate responsibility for risk oversight and risk management rests with the Board. The audit and risk charter is available on the Company's website and is summarised in this Corporate Governance Statement.	Complies.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that	The Board believes the risk management and internal control systems designed and implemented by the Directors and the Financial Officer are adequate given the size and nature of the Company's activities. The Board informally reviews and requests management internal control.	Management has not formally reported to the Board as to the effectiveness of the Company's management of its material business risks. Given the nature and size of the Company and the Board's ultimate responsibility to manage the risks of the Company this is not considered critical. The

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<p>management has reported to it as to the effectiveness of the Company's management of its material business risks.</p>		<p>Company intends to develop the risk reporting framework into a detailed policy as its operations continue to grow.</p>
<p>7.3 The Board should disclose whether it has received assurance from the chief executive officer and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.</p>	<p>The Board will receive statements from the chief executive officer and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.</p>	<p>Complies.</p>
<p>7.4 Provide the information indicated in <i>Guide to reporting on Principle 7</i>.</p>	<p>An audit and risk management charter has been adopted by the Audit and Risk Management Committee which includes a statement of the Company's risk policies.</p> <p>This charter is available on the Company's website and is summarised in this Corporate Governance Statement.</p> <p>The Company has identified key risks within the business and has received a statement of assurance from the chief executive officer and chief financial officer.</p>	<p>Complies.</p>
<p>Principle 8 – Remunerate fairly and responsibly</p>		
<p>8.1 The Board should establish a remuneration committee.</p>	<p>The Board has established a Nomination and Remuneration Committee and has adopted a remuneration charter.</p> <p>The Nomination and Remuneration Committee consists of the entire Board and is Chaired by Mr Peter Avery.</p>	<p>Complies.</p>
<p>8.2 Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.</p>	<p>The Company complies with the guidelines for executive remuneration packages and non-executive director remuneration.</p> <p>No senior executive is involved directly in deciding their own remuneration.</p>	<p>Complies.</p>

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8.3 Provide the information indicated in <i>the Guide to reporting on Principle 8</i> .	The Board has adopted a Nomination and Remuneration Committee charter. The Company does not have any schemes for retirement benefits other than superannuation for non-executive directors.	Complies.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Baru Resources Limited, refer to our website: www.baru.com.au