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Buru Energy

Buru Energy Limited
ABN 71 130 651 437

Interim Financial Report
For the six months ended 30 June 2019

BURU ENERGY LIMITED
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BURU ENERGY LIMITED
DIRECTORS' REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2019

The Directors present their report together with the condensed consolidated interim financial statements of the Group comprising Buru Energy Limited (Buru Energy or the Company) and its subsidiaries for the six month period ended 30 June 2019 and the auditor's independent review report thereon.

Directors

The Directors of the Company in office at any time during or since the end of the period are as follows:

- Mr Eric Streitberg – Executive Chairman
- Ms Eve Howell – Non-Executive
- Mr Robert Willes – Non-Executive

The Company Secretary is Mr Shane McDermott.

Principal Activities

The principal activity of the Group during the period was oil and gas exploration and production in the Canning Basin, in the northwest of Western Australia. There were no significant changes in the nature of the Group's principal activities during the period.

Review of Operations

Ungani Oilfield - L20 & L21 (Buru Energy has 50% interest and is Operator of the Ungani Joint Venture)

Production from the Ungani Oilfield for the six months ended 30 June 2019 totalled ~182,000 bbls (Buru Energy's share ~91,000 bbls), at an average rate of ~1,000 bopd from five wells (Ungani 1ST1, Ungani 2, Ungani 4ST1, Ungani 5 and Ungani Far West 1).

The average production rate included well offline time with ongoing minor well interventions and maintenance being carried out as required throughout the period. The northern wet season at the start of the year saw lower than average rainfall and whilst there were some short periods of precautionary closures of the Ungani access road, these did not result in any lost days of production.

The additional wells currently being drilled on the field (Ungani 6H and Ungani 7H) are expected to result in a material increase in production rates during the second half of 2019.

Ungani crude oil continues to be trucked to CGL storage Tank 10 at Wyndham Port for storage prior to its FOB sale. The price received FOB Wyndham is the realised Brent linked oil price less the buyer's fixed shipping discount. Ungani Joint Venture sales during the period totalled ~A\$15 million from ~167,000 bbls from three liftings at an average FOB Wyndham price of ~A\$89/bbl (Buru Energy's share ~\$7.5 million from ~83,500 bbls). The first lifting commenced on 31 December 2018 and was completed on 1 January 2019 for ~70,000 bbls at ~A\$75/bbl with ~47,000 bbls recorded as revenue in 2018 and the remaining ~23,000 bbls recognised as revenue in 2019. The second lifting was completed on 12 March for a further ~70,000 bbls at ~A\$86/bbl and the third lifting was completed on 23 May for ~74,000 bbls at ~A\$95/bbl. The existing Trafigura oil sales and lifting contract expired on 30 June 2019, and after a market based tender process, a new contract on more favourable commercial terms has been executed with Petro-Diamond Singapore.

During the period, the Ungani Joint Venture commenced drilling the Ungani 6H development well with the NGD 405 drilling rig. Drilling of the well was significantly delayed by a number of operational problems including rig mechanical issues, lost circulation zones, and consequent difficult drilling conditions in the Ungani Shale section. The well was drilled at a high angle to the top of the Ungani Dolomite which was intersected as planned at a measured depth of 2,346 metres. Attempts to then run the 5½ inch (140mm) casing to the planned depth at the top of the Ungani Dolomite were ultimately unsuccessful, and the casing was cemented in place at a depth of 2,310 metres measured depth and the well was suspended after the end of the period. The NGD 405 rig has since undergone a period of required maintenance and repairs before being mobilised to drill the Adoxa 1 exploration well. The forward plan at Ungani 6H is to run an expandable liner over the remaining shale section prior to the underbalanced coil tubing unit drilling of the reservoir section.

The Ungani 7H well location is adjacent to the Ungani 4 well pad and the well was spudded on 26 August 2019. The preparations for the underbalanced coil tubing drilling of the horizontal reservoir sections in Ungani 6H and Ungani 7H are substantially complete and these operations are currently expected to be completed in the fourth quarter.

BURU ENERGY LIMITED
DIRECTORS' REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (CONT'D)

Further upgrades to the Ungani Production Facility are progressing on time and on budget. The facility is being debottlenecked and expanded to handle the expected increased oil production from Ungani 6H and Ungani 7H, as well as the increased produced water from the field generally. This expansion involves the installation of new tanks and associated infrastructure to tie the new wells into the facility.

Lennard Shelf Permits – L6, L8 & EP 129 (Buru Energy 100%)

The Blina Oilfield remained shut-in during the period with decommissioning of legacy wells and facilities on the Lennard Shelf proceeding. Well decommissioning is being undertaken with Buru Energy's Jacking Platform system. This system provides a low cost, safe and effective alternative to using a workover rig for these operations. As at the end of the period, these decommissioning operations were ~50% complete and progressing on time and on budget.

In preparation for the planned workover and test of the Yellowdrum reservoir section in the Blina 4 well, the Jacking Platform has been used to remove the existing tubing string which was completed for production from the deeper Nullara Formation level. During this operation, initial flush production of some 600 barrels of oil was recovered from the Nullara reservoir at high flow rates. This was an unexpected and encouraging result and the significance of this oil recovery and its implications for the forward program is being reviewed.

Exploration

The Adoxa 1 exploration well is located on EP 428 (Buru Energy 50% and Operator). Roc Oil (Canning) Pty Ltd (ROC) is earning a 50% interest under the terms of the 2018 Farmin Agreement whereby ROC is required to fund agreed exploration expenditures on a promoted 80/20 basis (Farmin Carry). For the purpose of drilling the Adoxa 1 well, the parties agreed that this well would be funded outside the Farmin Carry, with both ROC and Buru Energy paying for this well at the 50/50 equity level.

The Adoxa 1 well was drilled to a total depth of 2,300 metres and an extensive suite of wireline logs and pressure measurements were then acquired. These identified a zone from 1,891 to 1,902 metres measured depth ("1900 zone") in the Upper Anderson section that is interpreted from logs and pressure data to have the potential to flow oil. All of the other zones where oil shows were noted in the well were interpreted to be either tight (poor reservoir) or water wet. In order to provide a definitive test of the 1900 zone a 4½ inch (114mm) casing string was run into the well and the NGD 405 rig was then mobilised to the Ungani 7 location.

Yulleroo Gas Assets

The Yulleroo Gasfield is located on Exploration Permits EP 391 & EP 436 where Buru Energy has a 50% interest in the conventional gas assets and a 100% interest in the unconventional gas assets. Four wells have defined a substantial gas accumulation with a number of zones identified from which there is potential for conventional gas production. A program to evaluate these conventional gas resources is currently being finalised. Conventional gas resources could be used to supply local industry and power generation as a substitute for LNG trucked from the Pilbara.

Corporate

An additional \$0.5 million "accelerated capital repayment" of the loan from Alcoa related to a legacy gas sales agreement was paid in the first week of January 2019. The repayment was calculated under the terms of the agreement on Ungani crude sales revenue during the 2018 year. The remaining liability of \$4.5 million is repayable in two instalments with \$2.5 million due on 31 December 2019 and the remainder due in December 2020.

The Company's acquisition of an additional interest in EP 457 and EP 458 from a subsidiary of Mitsubishi Corporation (refer ASX announcement 10 December 2018) reached final settlement in March 2019. Buru Energy now owns a 60% interest in each of EP 457 and EP 458, with Rey Resources Ltd holding the remaining 40%. Buru Energy continues as the Operator of these permits, with ongoing technical work identifying a number of prospective new play types.

After Balance Date Events

No significant events have occurred subsequent to balance date.

**BURU ENERGY LIMITED
DIRECTORS' REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (CONT'D)**

Dividends

The Directors do not propose to recommend the payment of a dividend. No dividends have been paid or declared by the Company during the current period.

Auditor's Independence Declaration

The lead auditor's independence declaration for the period is set out on page 6 and forms part of this Directors' Report.

Rounding Off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016 and in accordance with that Corporations Instrument, amounts in the condensed consolidated interim financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of Directors.



Mr Eric Streitberg
Executive Chairman
Perth
30 August 2019



Mr Robert Willes
Non-Executive Director
Perth
30 August 2019



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Buru Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Buru Energy Limited for the half-year ended 30 June 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Jane Bailey

Jane Bailey
Partner

Perth

30 August 2019

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BURU ENERGY LIMITED
CONDENSED CONSOLIDATED STATEMENT
OF FINANCIAL POSITION AS AT 30 JUNE 2019

<i>in thousands of AUD</i>	Note	30 Jun 2019	31 Dec 2018
Current Assets			
Cash and cash equivalents		58,759	64,011
Trade and other receivables		974	2,677
Inventories		2,960	2,376
Total Current Assets		<u>62,693</u>	<u>69,064</u>
Non-Current Assets			
Oil and gas assets	4	36,003	31,398
Exploration and evaluation expenditure	5	6,756	6,036
Property, plant and equipment	12	5,097	2,507
Financial assets		80	40
Total Non-Current Assets		<u>47,936</u>	<u>39,981</u>
Total Assets		<u>110,629</u>	<u>109,045</u>
Current Liabilities			
Trade and other payables		6,823	3,650
Lease liabilities	12	1,210	-
Loans and borrowings	6	2,613	3,000
Provisions	7	1,917	1,980
Total Current Liabilities		<u>12,563</u>	<u>8,630</u>
Non-Current Liabilities			
Lease liabilities	12	1,453	-
Loans and borrowings	6	2,000	2,000
Provisions	7	4,034	4,091
Total Non-Current Liabilities		<u>7,487</u>	<u>6,091</u>
Total Liabilities		<u>20,050</u>	<u>14,721</u>
Net Assets		<u>90,579</u>	<u>94,324</u>
Equity			
Contributed equity		271,857	271,857
Reserves		1,495	919
Accumulated losses		(182,773)	(178,452)
Total Equity		<u>90,579</u>	<u>94,324</u>

The Group has initially applied AASB 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated at the date of initial application (note 12).

The notes on pages 11 to 16 are an integral part of these condensed consolidated financial statements.

BURU ENERGY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2019

<i>in thousands of AUD</i>	Note	30 Jun 2019	30 Jun 2018
Revenue		7,554	9,472
Cost of sales		(3,383)	(5,653)
Amortisation of oil and gas assets	4	(2,491)	(3,123)
Gross profit / (loss)		1,680	696
Gain on partial sale of oil and gas assets		-	36,337
Exploration and evaluation expenditure		(3,423)	(2,600)
Corporate and administrative expenditure	8	(2,501)	(3,785)
Share based payment expenses		(637)	-
Movement in fair value of financial assets		40	12
Results from operating activities		(4,841)	30,660
Net finance income / (expense)		459	57
Profit / (loss) for the period before income tax		(4,382)	30,717
Income tax expense		-	-
Total comprehensive income / (loss) for the period		(4,382)	30,717
Earnings / (loss) per share (cents)		(1.01)	7.11
Diluted earnings / (loss) per share (cents)		(1.01)	7.11

The Group has initially applied AASB 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated at the date of initial application (note 12).

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BURU ENERGY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2019

in thousands of AUD

	Share capital	Share based payment reserve	Accumulated losses	Total equity
	\$	\$	\$	\$
Balance as at 1 January 2018	271,803	1,185	(208,898)	64,090
Comprehensive loss for the period				
Income for the period	-	-	30,717	30,717
Total comprehensive income for the period	-	-	30,717	30,717
Transactions with owners recorded directly in equity				
Issue of ordinary shares on conversion of options	16	-	-	16
Share based payment transactions	-	-	-	-
Share options exercised/forfeited	38	(735)	697	-
Total transactions with owners recorded directly in equity	54	(735)	697	16
Balance as at 30 June 2018	271,857	450	(177,484)	94,823

	Share capital	Share based payment reserve	Accumulated losses	Total equity
	\$	\$	\$	\$
Balance as at 1 January 2019	271,857	919	(178,452)	94,324
Comprehensive loss for the period				
Loss for the period	-	-	(4,382)	(4,382)
Total comprehensive loss for the period	-	-	(4,382)	(4,382)
Transactions with owners recorded directly in equity				
Issue of ordinary shares on conversion of options	-	-	-	-
Share based payment transactions	-	637	-	637
Share options exercised/forfeited	-	(61)	61	-
Total transactions with owners recorded directly in equity	-	576	61	637
Balance as at 30 June 2019	271,857	1,495	(182,773)	90,579

The Group has initially applied AASB 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated at the date of initial application (note 12).

The notes on pages 11 to 16 are an integral part of these condensed consolidated financial statements.

BURU ENERGY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH
FLows FOR THE SIX MONTHS ENDED 30 JUNE 2019

<i>In thousands of AUD</i>	Note	30 Jun 2019	30 Jun 2018
Cash flows from operating activities			
Cash receipts from sales		9,162	9,450
Payments to suppliers and employees		(6,322)	(7,473)
Payments for exploration and evaluation		(3,618)	(1,682)
Net cash inflow / (outflow) from operating activities		<u>(778)</u>	<u>295</u>
Cash flows from investing activities			
Interest received		998	126
Receipts from sale of / (payments for) plant and equipment		(69)	41
Payments for exploration and evaluation		(720)	-
Payments for oil and gas development		(4,034)	(10,318)
Deposit received for the 2018 partial sale of the Ungani Oilfield		-	13,000
Net cash inflow / (outflow) from investing activities		<u>(3,825)</u>	<u>2,849</u>
Cash flows from financing activities			
Proceeds from issue of ordinary shares on conversion of options		-	16
Repayment of loan	6	(500)	-
Net cash inflow / (outflow) from financing activities		<u>(500)</u>	<u>16</u>
Net increase / (decrease) in cash and cash equivalents		(5,103)	3,160
Cash and cash equivalents at beginning of the period		64,011	16,859
Effect of exchange rate changes on cash and cash equivalents		(149)	-
Cash and cash equivalents at the end of the period		<u>58,759</u>	<u>20,019</u>

The Group has initially applied AASB 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated at the date of initial application (note 12).

The notes on pages 11 to 16 are an integral part of these condensed consolidated financial statements.

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

1 Reporting Entity

Buru Energy Limited (Buru Energy or the Company) is a for profit company domiciled in Australia. The address of the Company's registered office is Level 2, 16 Ord Street, West Perth, Western Australia. The condensed consolidated interim financial statements of the Company as at, and for the six months ended, 30 June 2019 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in jointly controlled entities. The Group is primarily involved in oil and gas exploration and production in the Canning Basin in the Kimberley region of northwest Western Australia.

2 Basis of Accounting

These interim financial statements are general purpose financial statements which have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2018 (last annual financial statements). They do not include all of the information required for full annual financial statements. The last annual financial statements are available at www.buruenergy.com.

This is the first set of the Group's financial statements where AASB 16 *Leases* has been applied. Changes to significant accounting policies are described in Note 12. All other accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied in the last annual financial statements.

These condensed consolidated interim financial statements were approved by the Board of Directors on 29 August 2019.

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the last annual financial statements except for new significant judgements and key sources of estimation uncertainty related to the application of AASB 16 *Leases*, which is described in Note 12.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted, however, the Group has not early adopted any new or amended standards in preparing these condensed consolidated interim financial statements.

3 Operating Segments

The Group has only one reportable geographical segment being the Canning Basin in northwest Western Australia. The reportable operating segments are based on the Group's strategic business units: oil, gas and exploration. All strategic business units' operating results are reviewed regularly by the Group's Executive Chairman, Chief Financial Officer and other executives. The following summary describes the operations in each of the Group's reportable operating segments:

- Oil: Primarily includes the development and production of the Ungani Oilfield and the currently shut in Blina and Sundown oilfields.
- Gas: Exploration and appraisal of gas is currently concentrated in the Yulleroo area where gas resources have been identified in the Laurel Formation.
- Exploration: The exploration program is focused on prospects along the Ungani oil trend and evaluation of the other areas in the Group's portfolio.

Information regarding the results of each reportable segment is included below. Performance is measured in regard to the Group and its segments principally with reference to earnings before interest and tax, and capital expenditure on exploration and evaluation assets, oil and gas assets, and property, plant and equipment. The corporate segment represents a reconciliation of reportable segment revenues, profit or loss and assets to the consolidated figures.

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019 (CONT'D)

Profit and loss	Oil		Gas		Exploration		Corporate*		Total		
	<i>in thousands of AUD</i>	Jun 19	Jun 18	Jun 19	Jun 18	Jun 19	Jun 18	Jun 19	Jun 18	Jun 19	Jun 18
External revenues		7,554	9,472	-	-	-	-	-	-	7,554	9,472
Operating costs		(3,383)	(5,653)	-	-	-	-	-	-	(3,383)	(5,653)
Amortisation of oil and gas assets		(2,491)	(3,123)	-	-	-	-	-	-	(2,491)	(3,123)
Gross Profit		1,680	696	-	-	-	-	-	-	1,680	696
Exploration and evaluation expenditure		-	-	-	-	(3,423)	(2,600)	-	-	(3,423)	(2,600)
Gain on acquisition oil and gas assets		-	-	-	-	-	-	-	-	-	-
Gain on sale of interest in oil and gas assets		-	36,337	-	-	-	-	-	-	-	36,337
Corporate and administrative expenditure		-	-	-	-	-	-	(2,501)	(3,785)	(2,501)	(3,785)
Share based payment expenses		-	-	-	-	-	-	(637)	-	(637)	-
Movement in fair value of financial assets		-	-	-	-	-	-	40	12	40	12
EBIT		1,680	37,033	-	-	(3,423)	(2,600)	(3,098)	(3,773)	(4,841)	30,660
Net financial income		-	-	-	-	-	-	459	57	459	57
Reportable segment profit / (loss) before tax		1,680	37,033	-	-	(3,423)	(2,600)	(2,639)	(3,716)	(4,382)	30,717

The Group has initially applied AASB 16 at 1 January 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases (see note 12). The Group has applied AASB 16 using the modified retrospective approach. Under this approach, comparative information is not restated (note 12).

* Corporate represents reconciliation of reportable segments to IFRS measures

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019 (CONT'D)

Total Assets	Oil		Gas		Exploration		Corporate*		Total	
	Jun 19	Dec 18	Jun 19	Dec 18	Jun 19	Dec 18	Jun 19	Dec 18	Jun 19	Dec 18
<i>in thousands of AUD</i>										
Current assets	612	1,947	-	-	2,348	2,038	59,733	65,079	62,693	69,064
Oil and gas assets	36,003	31,398	-	-	-	-	-	-	36,003	31,398
Exploration and evaluation assets	-	-	6,036	6,036	720	-	-	-	6,756	6,036
Property, plant and equipment	-	-	-	-	-	-	5,097	2,507	5,097	2,507
Investments	-	-	-	-	-	-	80	40	80	40
Total Assets	36,615	33,345	6,036	6,036	3,068	2,038	64,910	67,626	110,629	109,045
Capital Expenditure	7,096	6,675	-	-	720	-	72	86	7,888	6,761
Total Liabilities										
Current liabilities	5,953	3,070	-	-	2,637	1,650	3,973	3,910	12,563	8,630
Lease liabilities (Non-current)	872	-	-	-	145	-	436	-	1,453	-
Loans and borrowings (Non-current)	-	-	-	-	-	-	2,000	2,000	2,000	2,000
Provisions (Non-current)	1,302	1,224	-	-	2,507	2,704	225	163	4,034	4,091
Total Liabilities	8,127	4,294	-	-	5,289	4,354	6,634	6,073	20,050	14,721

The Group has initially applied AASB 16 at 1 January 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases (see note 12). The Group has applied AASB 16 using the modified retrospective approach. Under this approach, comparative information is not restated (note 12).

* Corporate represents reconciliation of reportable segments to IFRS measures

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019 (CONT'D)

4 Oil and Gas Assets (Ungani Oilfield)

in thousands of AUD

	30 Jun 2019	31 Dec 2018
	\$	\$
Carrying amount at beginning of the period	31,398	55,646
Carrying value of oil and gas assets sold	-	(27,663)
Development expenditure	7,096	6,675
Transfer from property, plant and equipment	-	2,105
Amortisation expense	(2,491)	(5,365)
Carrying amount at the end of the period	<u>36,003</u>	<u>31,398</u>

5 Exploration and Evaluation Expenditure

in thousands of AUD

	30 Jun 2019	31 Dec 2018
	\$	\$
Carrying amount at beginning of the period	6,036	6,363
Exploration assets acquired	720	-
Movement in rehabilitation provision for exploration assets	-	(327)
Carrying amount at the end of the period	<u>6,756</u>	<u>6,036</u>

6 Loans and Borrowings

in thousands of AUD

	30 Jun 2019	31 Dec 2018
	\$	\$
Borrowings at the beginning of the period	5,000	7500
Interest expense for the period	113	375
Repayment to Alcoa	(500)	(2,875)
Carrying amount at the end of the period	<u>4,613</u>	<u>5,000</u>

in thousands of AUD

	30 Jun 2019	31 Dec 2018
	\$	\$
Current	2,613	3,000
Non-current	2,000	2,000
	<u>4,613</u>	<u>5,000</u>

A repayment of \$500,000 was made to Alcoa during the period in accordance with the accelerated capital repayment mechanism calculated on Ungani crude sales for 2018. The next instalment of \$2,500,000 will be payable on or before 31 December 2019 with the remainder of the liability due by the end of 2020. The debt remains unsecured, subject to an agreed interest rate of 5% and subject to annual accelerated capital repayments based on Buru Energy's Ungani crude sales.

7 Provisions

in thousands of AUD

	30 Jun 2019	31 Dec 2018
	\$	\$
Current		
Provision for annual leave	843	729
Provision for long-service leave	154	181
Provision for site restoration	920	1,070
	<u>1,917</u>	<u>1,980</u>
Non-Current		
Provision for long-service leave	225	163
Provision for site restoration	3,809	3,928
	<u>4,034</u>	<u>4,091</u>

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019 (CONT'D)

8 Corporate and Administrative Expenditure

in thousands of AUD

	30 Jun 2019	30 Jun 2018
	\$	\$
Personnel and associated expenses	1,412	1,685
Office and other administration expenses	1,089	2,100
	2,501	3,785

9 Capital and Reserves

	Ordinary Shares	
	1 Jan – 30 Jun 2019	1 Jan – 31 Dec 2018
	No.	No.
Fully paid shares on issue at the beginning of the period	432,074,241	432,021,333
Conversion of 31c options to fully paid shares	-	52,908
Fully paid shares on issue at the end of the period	432,074,241	432,074,241

10 Capital and Other Commitments

in thousands of AUD

	30 Jun 2019	31 Dec 2018
	\$	\$
Exploration expenditure commitments		
<i>Contracted but not yet provided for and payable:</i>		
Within one year	3,333	3,333
One year later and no later than five years	467	467
	3,800	3,800

The commitments are required in order to maintain the petroleum exploration permits in which the Group has interests in good standing with the Department of Mines, Industry Regulation & Safety (DMIRS), and these obligations may be varied from time to time, subject to approval by DMIRS.

11 Subsequent Events

No significant events have occurred subsequent to balance date.

12 Changes in significant accounting policies

The Group has adopted all accounting standards and interpretations that had a mandatory application for this reporting period. Those that have an impact on the Group are disclosed below:

AASB 16 Leases

This new standard introduced three main changes:

- Enhanced guidance on identifying whether a contract contains a lease;
- A completely new leases accounting model for lessees that require lessees to recognise all leases on balance sheet, except for short-term lease and leases of low value assets; and
- Enhanced disclosures.

AASB 16 was expected to result in almost all leases being recognised on the consolidated statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the lease term) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under AASB 17 and related interpretation. In respect to the Group, the impact on initial adoption has been as follows:

- The leases for the Company's corporate office at West Perth and its office / warehouse facility in Broome have been recognised on the balance sheet.

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019 (CONT'D)

- The Group's share of the lease for a crude oil storage tank at Wyndham Port has been recognised on the balance sheet.
- Leases for vehicles have been recognised on the balance sheet.

As a result of the above, a right-of-use asset has been recognised and financial liability as at 1 January 2019. The following is a reconciliation of the total operating lease commitments in the annual financial report at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

<i>in thousands of AUD</i>	\$
Operating lease commitments disclosed at 31 December 2018	3,643
Lease liabilities recognised on 1 January 2019 under AASB 16	3,324
Discounted using incremental borrowing rate	(96)
Total lease liabilities recognised under AASB 16 at 1 January 2019	<u>3,228</u>

The Group's accounting policy under AASB 16 as lessee has been updated as follows:

For any new contracts entered into as a lessee, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate of 3.00%.

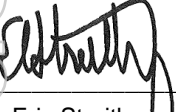
Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. Lease liabilities are shown directly on the statement of financial position (current and non-current). Right-of-use assets have been included in property, plant and equipment and they amounted to \$2,630,923 as at 30 June 2019.

BURU ENERGY LIMITED
DIRECTORS' DECLARATION


In the opinion of the Directors of Buru Energy Limited (the Company):

- (a) the financial statements and notes set out on pages 7 to 16, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the six month period ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Mr Eric Streitberg
Executive Chairman
Perth
30 August 2019



Mr Robert Willes
Non-Executive Director
Perth
30 August 2019



Independent Auditor's Review Report

To the shareholders of Buru Energy Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Buru Energy Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Buru Energy Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2019 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Condensed consolidated statement of financial position as at 30 June 2019
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the half-year ended on that date
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Buru Energy Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Buru Energy Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

KPMG

Jane Bailey

Jane Bailey
Partner

Perth

30 August 2019

**BURU ENERGY LIMITED
CORPORATE DIRECTORY**

Directors

Mr Eric Streitberg – Executive Chairman

Ms Eve Howell – Non-Executive

Mr Robert Willes – Non-Executive

Company Secretary

Mr Shane McDermott

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Australian Securities Exchange

Exchange Plaza

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