2015
Annual Report

Buru Energy Limited Annual Report
For the year ended 31 December 2015
ABN 71 130 651 437

Contents

Corporate Register

as at 29 February 2016

Shares on issue:	339,997,078
Unlisted options:	8,950,000
Share Appreciation Rights:	2,221,213

Directors

Mr Eric Streitberg
Executive Chairman

Ms Eve Howell
Independent Non-executive Director

Mr Robert Willes
Independent Non-executive Director

Company Secretary

Mr Shane McDermott

Registered and Principal Office

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Share Registry

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PERTH WA 6000
Telephone:
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+61 (02) 8280 7211 (Outside Australia)
Email:
registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

Auditors

KPMG
235 St George's Terrace
PERTH WA 6000

Bankers

Commonwealth Bank of Australia
1230 Hay Street
WEST PERTH WA 6005

Stock Exchange

Australian Securities Exchange
Exchange Plaza
2 The Esplanade
PERTH WA 6000

ASX Code: BRU

Executive Chairman's Report

Dear Shareholder,

I am pleased to present the Company's Annual Report for the 2015 calendar (and Buru Energy's financial) year.

2015 saw the Company embark on a major exploration and appraisal program that included the drilling of six wells, an extensive hydraulic stimulation (fraccing) program on two wells and the acquisition of extensive 2D and 3D seismic surveys and aerogravity programs. This was a large and aggressive program that was aimed at finding oil and gas, appraising the tight wet gas resources in the basin, and acquiring additional seismic data to ensure a good range of prospects for future drilling programs.

In addition to the exploration program, commercial production from the Ungani Oilfield started in July 2015 after the Production Licence for the field was granted. This was an historic step forward for the Company and the Canning Basin. However, the continued deterioration of the oil price meant that a commercial decision had to then be taken to suspend production from the Ungani Oilfield in January 2016. While the field is suspended the alternatives to the current oil export system through Wyndham are being progressed. Once an alternative export route is commissioned we expect the field to return to strong profitability and cash flow generation.

The Ungani Far West 1 well which was drilled as part of the exploration and appraisal program was a significant discovery, and the data from the well, including the comprehensive Ungani Dolomite cores, is proving extremely valuable. The high quality light oil from this well is also likely to improve the volume and selling price of oil from the area.

The exploratory fracs of the wet gas accumulation in the Valhalla – Asgard area went very well and are an important step in defining what is a world class gas and liquids accumulation.

The Ungani Far West 1 well which was drilled as part of the exploration and appraisal program was a significant discovery, and the data from the well, including the comprehensive Ungani Dolomite cores, is proving extremely valuable. The high quality light oil from this well is also likely to improve the volume and selling price of oil from the area.

Importantly, the cost of the drilling and seismic programs was much less than previous programs because of both the reduction in contractor prices and the more cost and operationally effective techniques and equipment used, and from that point of view the program was very successful. The costs of the fracs were significantly higher than what would be expected for full commercialisation of the accumulation, but their exploratory nature means this was not unexpected and there were many valuable lessons learned which will assist in undertaking a commercialisation program in the future.

The Company also took steps to rationalise its exploration holdings by relinquishing those areas that did not meet acceptable risk and commercial hurdles in the current low oil price environment. This has substantially reduced the Company's ongoing permit maintenance costs and potential exploration commitment expenditures. The Company's acreage holdings are now the State Agreement permits, EP457/EP458 and the 100% owned Lennard Shelf permits and licences.

In parallel with the reduction in field costs there was a continued focus on reducing general and office costs. This has unfortunately resulted in continuing redundancies as the company is downsized to match the oil price and general market conditions and there will be a continuing very close focus on cost control going forward.

In common with the rest of the industry we have carefully reviewed the carrying value of our assets, in particular the Ungani Oilfield. This review has taken into account best practice guidelines and has been discussed in detail with the company's auditors. As a number of the costs to find and develop the field were carried by Mitsubishi Corporation as part of various funding arrangements, the Company's carrying cost for the field does not require any impairment.

The Company is very conscious of its responsibilities for safe and environmentally responsible operations and ensures that all of its sites and wells are secured and properly monitored and inspected.

The Company continues to enjoy good relationships with the local community, industry colleagues and the Traditional Owners in the areas where it operates. We are particularly grateful for the co-operation of the Yungngnora (Noonkanbah) people for their support and participation during the Valhalla area frac program.

We were also pleased to see that there continues to be strong scientific support for hydraulic stimulation with a number of additional reports and reviews adding to the previous reviews that found that fraccing operations pose no significant risk if they are carried out under appropriate regulations and operating parameters. This was confirmed by the successful frac programs that the Company has carried out at Yulleroo in 2010 and at Valhalla and Asgard in 2015 where, as expected, no adverse environmental effects have been detected by the extensive and rigorous baseline and ongoing monitoring programs.

These are exceptionally challenging times for the industry and in particular for the smaller participants such as Buru Energy, however, we have taken the necessary steps to ensure that the Company is able to prosper once conditions improve, or when we are able to attract further investment into our world class asset portfolio.

I thank my fellow Directors, Buru Energy staff and our shareholders for their patience and support during this period. I would also particularly like to acknowledge the support of our principal joint venture partner Mitsubishi Corporation.

Business Review

For the year ended 31 December 2015

Corporate Summary

Current Issued Capital

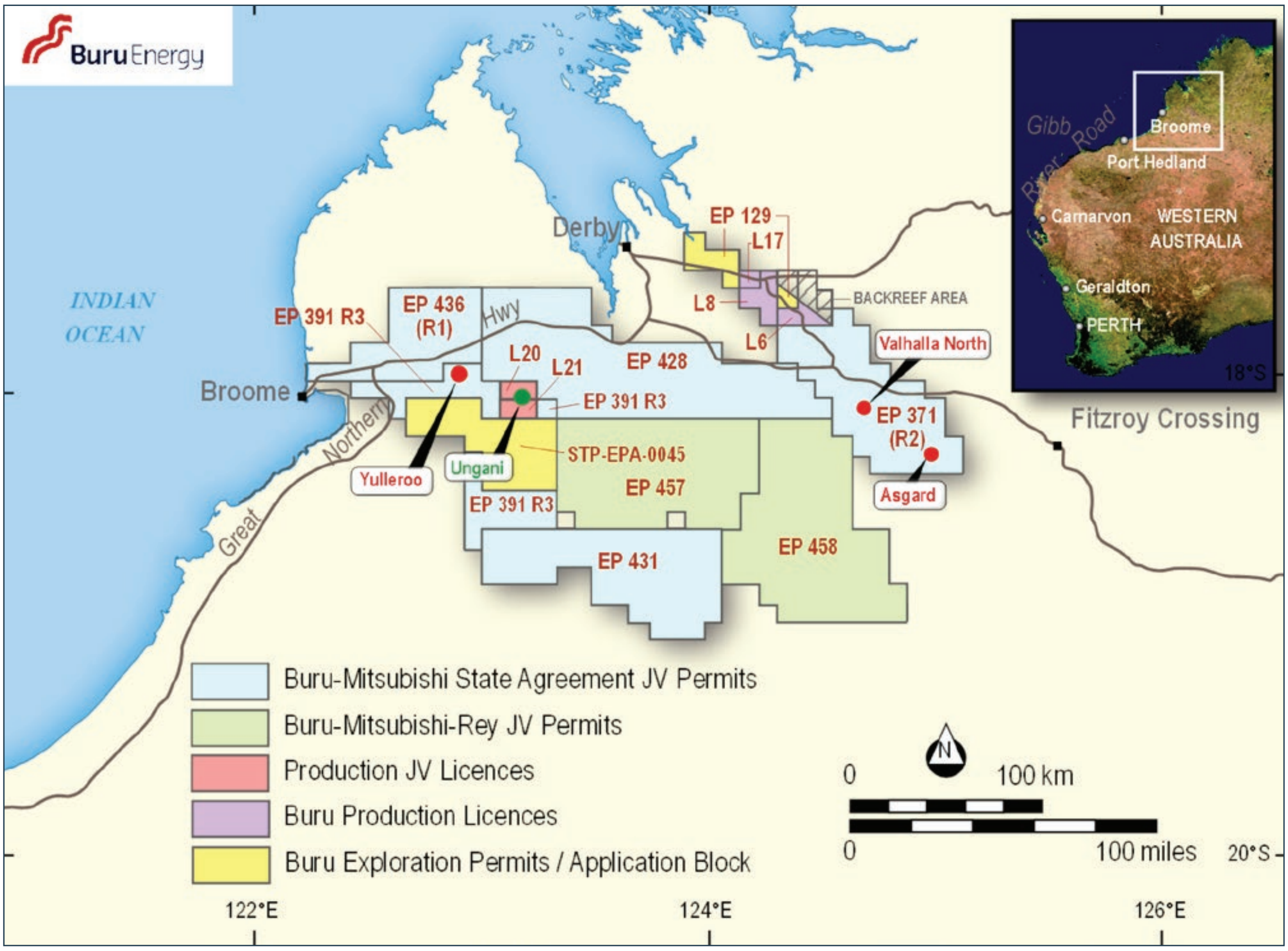
Fully paid ordinary shares	339,997,078
Options (unlisted – Staff)	8,950,000
Share Appreciation Rights (unlisted – Staff)	2,221,213

Trading History

Share price range during 2015	$0.19 to $0.63
Liquidity (annual turnover as % of average issued capital)	42.64%
Average number of shares traded per month	~ 11.79 million

Principal Assets

Buru Energy holds a very substantial exploration and production portfolio in the onshore Canning Basin of Western Australia. These holdings include the conventional oilfields of the Ungani trend and associated high quality exploration acreage, and the world-class multi TCF tight wet gas accumulation in the Laurel Formation. These assets are held under the secure tenure of a State Agreement with appropriate work commitments.



Location of the Company's Assets

Shareholder Communications

Under its ASX disclosure obligations and generally in regard to shareholder communication, Buru Energy provides shareholders with all relevant and price sensitive information. These communications include regular shareholder updates and the quarterly and half yearly reporting obligations. All this information is made available on the Company's website (www.buruenergy.com) which also contains details of the Company's general activities. This report also communicates to shareholders the Company's business philosophy, economic and financial condition, and future prospects. It only includes a brief review of the Company's operations during 2015, as these are set out in detail in the quarterly and half yearly reports of the Company, on the Company's website and in regular corporate update presentations.

The Company's Business Philosophy and Strategy

Buru Energy is committed to delivering value to its shareholders, traditional owners, the community and its employees through responsible, safe, innovative and cost effective exploration, development and production of our assets. We do this through integrity in our actions and decisions and by actively participating in and supporting the communities within which we operate.

Buru Energy respects the traditional owners in the areas in which it operates, their culture, law and leadership, and will always strive to demonstrate that respect in all aspects of our business.

The Company's immediate strategy includes the following:

- bring the Ungani Oilfield back into production through a more cost effective export system than the current export through Wyndham
- incorporate the Ungani Far West and potentially Ungani North wells into the Ungani production system and achieve the next target of 3,000 bopd
- undertake a full evaluation of the oil prospectivity of the Ungani trend incorporating the results of the 2015 drilling program and the extensive 3D surveys from 2015 and previous years
- finalise the interpretation of the results of the 2015 frac program and introduce a partner to assist with the next phase of appraisal leading to full scale gas production
- ensure costs are controlled and the balance sheet remains robust

Funding, Commitments and Prospects

The funding requirements of the Company are continuously reviewed through detailed internal cash flow models which are continuously updated for external and internal factors. The internal cash flow models are also used to review and to test investment decisions including exploration, development and production decisions.

Formal control over the Company's activities is maintained through a budget and cash flow monitoring process with annual budgets considered in detail by the Board and forming the basis of the Company's strategy. Cash flows are tested under reasonably likely scenarios to determine if commitments are able to be met.

The Company also pro-actively manages its work commitments to ensure a balance between the requirements for exploration success and cash reserves.

The current oil price means that the Company does not yet generate sufficient cash flow to be self sustaining and will require further capital in due course unless there is a sustained increase in the oil price.

Corporate Governance

The Board of the Company aspires to best practice in corporate governance and the ASX core principles of corporate governance have been integrated into the governance policy of the Company together with specific principles for Buru Energy. The full Corporate Governance Statement summarising the Company's corporate governance practices that have been in place during the year is included in this annual report at page 80. This Statement takes into consideration the corporate governance principles relevant to a company of Buru Energy's nature and size.

The Board currently has three Directors subsequent to the resignation of Hon Peter Jones as set out elsewhere in this report. The Company does have a majority of independent Directors (two out of three), however, the Chairman is not independent as he is a major shareholder and acts as the chief executive of the Company. This situation does not comply with the Company's Board Charter, however, given the current circumstances of the Company and the external environment, the Board is of the view that the current composition of the Board is appropriate.

Business Review

For the year ended 31 December 2015

Corporate Responsibility

The Company's responsibilities to the community and its shareholders are supported by codes of conduct and a number of specific policies, the details of which are available on the Company's website. The Company engages with a broad variety of stakeholders including local communities, traditional owners, and pastoralists.

The Company has a strong commitment to ensuring that it engages local community members and contractors in its activities to the extent possible. It is also committed to assisting Aboriginal people to achieve economic independence through employment, business development and training and gives support to those activities that are sustainable in the longer term.

Business Risk Management

Management of business risk, particularly in the current climate, is a key focus of the Board. The business risks for the Company include exploration and operational risk, breaches of environmental and community standards, and health and safety incidents.

The Company manages risk through a formal risk identification and risk management system, details of which are included in the Corporate Governance Statement. The review of the Company's risk profile during the year focused on the operational activity of the Company and on its future funding requirements. The identified risks are considered to be in the normal course of the Company's specific business in the current business climate, and the internal processes of the Company are considered sufficient to properly identify them and to provide mechanisms to manage them. The Board has direct oversight and involvement in the risk review and management process and engages external consultants to assist with the process as appropriate.

DDH1 Rig 31

The Company's activities during the year continue to be focused on exploration, development and production of its petroleum exploration permits and licences in the Canning Basin in the northwest of Western Australia.

Ungani Production Facility

Production and Development

Ungani Oilfield

The Extended Production Test regime to gather the data needed to prepare a development plan for the field was completed in February 2015 and the field was temporarily shut in to allow for the completion of the Production Licence application process and the necessary upgrades to the facility to allow full field production under the Production Licence and the associated regulatory approvals.

In March and April 2015, Buru Energy and Mitsubishi Corporation (Mitsubishi), executed key Native Title Agreements for the production licence process with the Nyikina Mangala, Karajarri Yanja and Yawuru People. Under the agreements, the Nyikina Mangala, Karajarri Yanja and Yawuru People agreed to the grant of the joint venture's two applications for Production Licences (STP-PRA-004 and 005), and other tenure required for the commercial development of the Ungani Oilfield. These agreements deliver significant financial and other benefits for the Traditional Owners and include a structured process for managing cultural, heritage and environmental matters for those parts of the project located within the respective Nyikina Mangala, Karajarri Yanja and Yawuru Native Title areas. The agreements recognise the importance of the Ungani area to the Traditional Owners and highlight the joint venture's commitment to ensuring that the development of the Ungani Oilfield is undertaken with respect for the social, cultural and environmental interests of the Traditional Owners. The parties are working cooperatively in the implementation of the agreements.

The field facilities were upgraded for the production restart on time with no incidents, resulting in a more efficient and cost-effective operation of the field. Buru Energy's share of capital costs for the upgrade were funded by Mitsubishi under the terms of the development funding agreement between the parties.

The joint venture received formal grant of the Production Licences for the Ungani Oilfield from the Department of Mines and Petroleum in WA (DMP) on 6 July 2015. The Production Licences authorise the joint venture to produce oil from the Ungani Oilfield and will remain in force indefinitely, subject to the usual conditions applying to these types of licences, including the requirement to pay a net wellhead royalty to the State. Other required approvals under the Western Australian regulatory system included the Petroleum Pipeline Licence for Ungani Production Facility (the UPF), the Facility Safety Case, HSS Management System, Emergency Response Management Plan, Care, Maintenance and Pre-commissioning Environment Plan, Commissioning and Operations Environment Plan, the Field Management Plan (incorporating Reservoir Management Plan), and the UPF Design Validation.

On 16 July 2015, oil production recommenced at an initial rate of 1,250 bopd. The official opening of the field took place on 30 July 2015 and was attended by the Minister for Mines and Petroleum, Hon Bill Marmion, joint venture partners, Traditional Owners, and local stakeholders.

Operations Review

For the year ended 31 December 2015

Production for the period from recommencement to the end of the year totalled ~132,000 bbls. Four shipments totalling ~118,000 bbls were made from Wyndham Port giving joint venture sales revenue of $3.0 million, net to Buru Energy $1.5 million. Sales revenue is recorded at the point of sale i.e. as the crude is loaded onto the ship at Wyndham Port. The selling price therefore represents the price received at the South-east Asian refinery, less shipping, marketing and insurance costs. More than 600,000 bbls have now been produced from the Ungani Oilfield since its discovery.

From 16 September to 16 October, production at the Ungani Oilfield was temporarily shut-in while the trucking contractor for the transport of crude oil from the field to Wyndham Port investigated a truck rollover incident on the Great Northern Highway. At the same time, the joint venture's oil transport charter vessel underwent dry-dock maintenance. Production was also curtailed for a short period after re-start with crude transport using double road trains before recommencing with triple road trains. During the shut-in Ungani field staff were deployed into the Company's other extensive operations. The shut-in also allowed the acquisition of valuable pressure build-up data from the production wells.

Following the end of the year, production at the Ungani Oilfield continued through to 28 January 2016 at which point the then oil price and its forward projection, together with encroaching wet season, led to the decision by the joint venture to suspend production from the field. During this suspension period the joint venture intends to move to a more cost effective export route than the previous arrangements through Wyndham.

Blina and Sundown Oilfields

The Blina and Sundown oilfields remained shut-in during the year. Buru Energy is continuing its remediation of this area which has been under the previous ownership of seven different companies since the discovery of oil in the area in 1981. The Company ceased production from the area in 2013 and is now focusing on remediating the area, including the rehabilitation of interceptor and evaporation ponds. The Company has worked with DMP to prepare and implement an Environment Plan for these fields. An ongoing comprehensive water monitoring program has not detected any evidence of effects from petroleum operations on the groundwater in the area. The remediation program has progressed well with the majority of the existing infrastructure now removed or rehabilitated. The full program is expected to take up to two years to complete and the Company has made adequate provision for the costs of this work.

Ungani Production Facility

Exploration and Appraisal

The Company undertook an extensive exploration program during 2015 to take advantage of the reduction in drilling and seismic costs driven by the general slowdown in exploration activity. The program involved the drilling of six wells with a significant oil discovery being made at Ungani Far West and the acquisition of a substantial 3D and 2D seismic program and an extensive aerogravity survey.

Drilling

A substantial reduction in drilling costs has been achieved in the last two year's drilling programs using fit for purpose rigs. These smaller rigs are most suitable for targets that are at a maximum of 2,600 metres drill depth with no expectation of abnormal pressures. This introduces some limitation in formation evaluation due to the smaller hole sizes but this is substantially outweighed by the reduction in drilling costs. The Company used two rigs for the program: DDH1 Rig 31 and Atlas Rig 2.

The first well in the program, Sunbeam 1, commenced drilling on 25 January 2015 and was suspended on 10 February 2015. The well was drilled to a total depth of 1,200 metres using DDH1 Rig 31. The well is located in exploration permit EP 129, and the completion of the well satisfied the Year 4 work commitment for the permit. Buru Energy has a 100% equity interest in the well and in EP 129. The primary objective Grant Formation channel fill sands were encountered as prognosed but did not contain any significant hydrocarbons. The well was suspended for possible re-entry and deepening to the underlying Emanuel prospect. The Emanuel prospect is a Frasnian aged reefal anomaly of a type that has not been tested in the area previously.

DDH1 Rig 31

Atlas Rig 2

The second well drilled by DDH1 Rig 31 was Olympic 1 which was spudded on 22 May 2015 and was the second well drilled as part of the Quadrant Energy Australia Limited (Quadrant Energy) (formerly Apache Energy Ltd) farm out announced in November 2013. The well is located approximately 60 kms to the southeast of Broome in the EP 473 exploration permit. The cost of the well was fully funded by Quadrant Energy under the terms of the farmout which included a commitment by Quadrant Energy to fund a $25 million exploration program on EP 390, 438, 471 and 473. The primary objective of the Olympic 1 well was the conventional oil reservoirs in the Willara Formation with secondary objectives in the underlying Nambeet Formation. The well was drilled to the total depth of 1,447 metres in the Nambeet Formation with excellent core recovery. No significant hydrocarbons were observed and consequently, the well was plugged and abandoned and DDH1 Rig 31 was released.

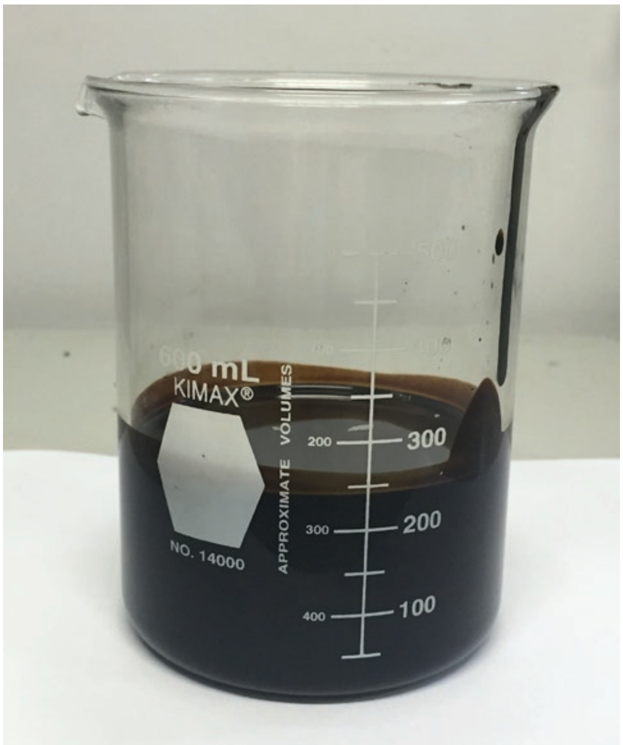
The third well in the program was Praslin 1 which was drilled with Atlas Rig 2 and was spudded on 17 July 2015. Praslin 1 is located on the Jackaroo 3D seismic survey in exploration permit EP 391, 90 kms east of Broome and 15 kms west of the Ungani Oilfield. Buru Energy has a 50% equity and contributing interest in the Praslin 1 well and in EP391. Praslin 1 was drilled to a total depth of 2,512 metres and interpretation of the wireline logs indicated the possible presence of an oil column which required testing to confirm. The testing program was commenced after a completion string was run in the well and swabbing operations recovered some 500 barrels of lost drilling fluid before recovering formation fluid similar to the formation fluid at Ungani, with no indications of moveable hydrocarbons. Fluid influx during swabbing suggested that the well has well developed porosity and permeability and a trial injection test was undertaken using the fluid that had been produced from the well. This confirmed that the well has an injection capability of at least 5,000 barrels per day of fluid. The well was suspended for further evaluation including use as a water injection point.

The drilling program continued with wildcat wells on the EP 457 and EP 458 permits. The wells were sited on structures defined by loose 2D seismic grids, and apart from being valid targets for conventional oil pools, were expected to provide valuable information on regional stratigraphy.

Victory 1, in EP 457, was spudded on 9 September 2015, with Atlas Rig 2. Victory 1 is located 185 kms east of Broome and 85 kms southeast of Buru Energy's Ungani Oilfield. The well was targeting conventional oil and gas in the Ungani Dolomite and Laurel clastic reservoirs and potentially also in Devonian aged carbonates. Buru Energy has a 37.5% equity interest in the well and in EP 457 and had a contributing interest of 41.67%. The well was drilled to a total depth of 2,600 metres but encountered a number of lost circulation zones and logs were initially unable to be obtained deeper than approximately 2,030 metres due to hole conditions and further drilling problems led to a decision to plug and abandon the well.

On 15 October 2015, the company spudded the Senagi 1 well with DDH1 Rig 31. Senagi 1 is located in exploration permit EP 458, 240 kms southeast of Broome and 144 kms southeast of Buru Energy's Ungani Oilfield. The well was targeting conventional oil and gas in the Lower Laurel (Ungani Dolomite) and Devonian aged (Nullara) carbonates. Buru Energy has a 37.5% equity interest in the well and in EP 458 and had a contributing interest of 41.67%. The well was drilled to a total depth of 1,045 metres. A total of 286 metres of continuous core was cut with 97% recovered. A thin interval with vugular porosity with oil shows was observed in core, however, the shows were interpreted to be residual. Valuable data was obtained from this well which will assist with correlation of core and image logs over the very well developed vugular dolomite reservoir section. This correlation will provide more certainty in the interpretation of the dolomite reservoirs encountered in future wells. Wireline logs were acquired and the well was plugged and abandoned.

The final well in the program, Ungani Far West 1, was spudded on 28 November 2015. The well is located on an all weather drilling pad approximately one kilometre off the Ungani access road within Production License L21, 97 kms east of Broome and 3.3 kms southwest of Buru Energy's Ungani Oilfield. Buru Energy has a 50% equity interest in the well and a contributing

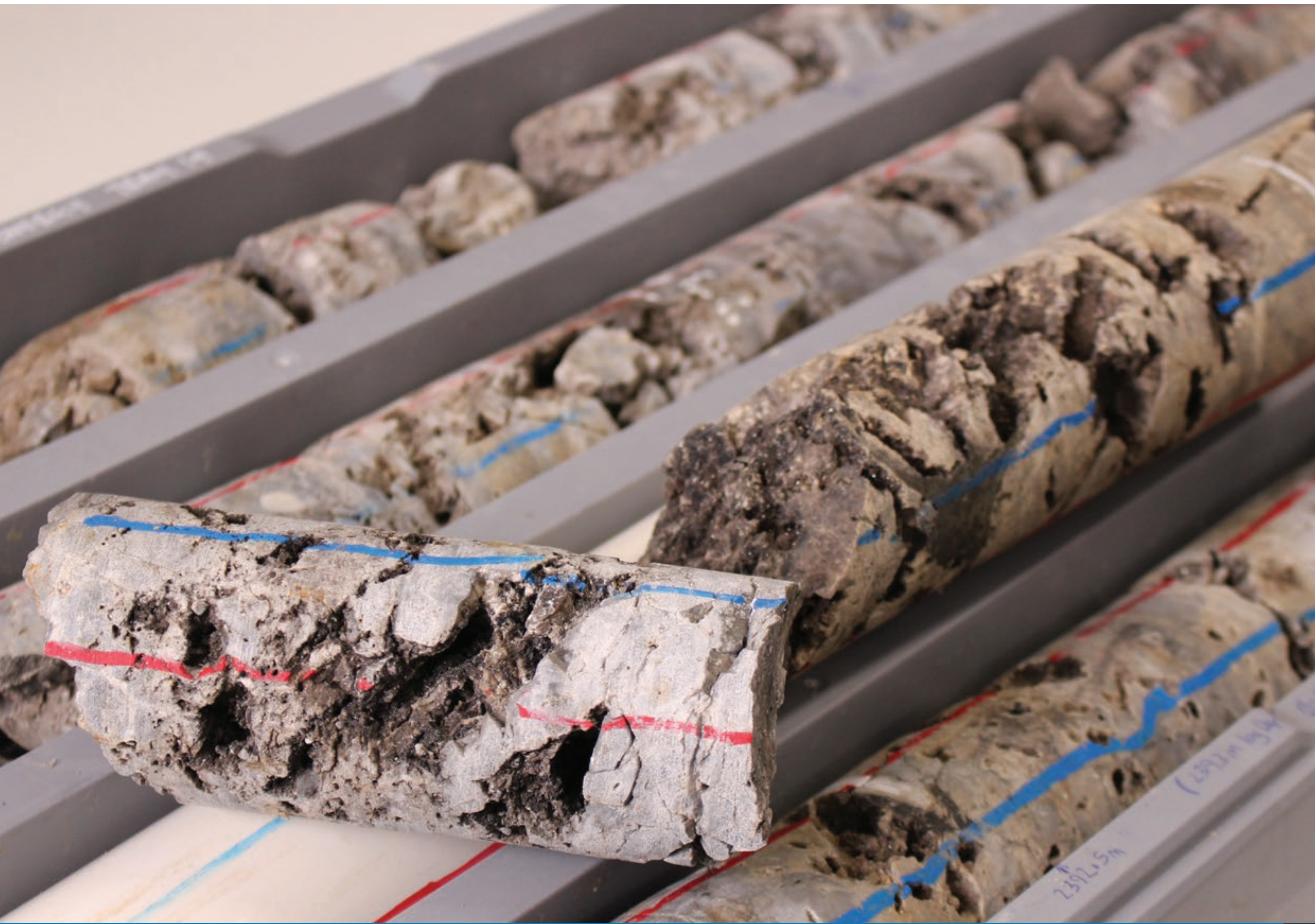


Ungani FW 1 oil sample

interest of nil as the well was being drilled under the terms of the Ungani Development Funding agreement with Diamond Resources (Fitzroy) Pty Ltd. Atlas Rig 2 was utilised to drill to the top of the interpreted Ungani Dolomite reservoir at 2,328 metres drill depth. Wireline logs over the drilled interval identified a five meter sandstone interval at the top of the Anderson Formation at a depth of some 1,560 meters which appeared to be oil bearing. Wireline logs and pressure data indicated the section was oil saturated with good permeability (~450md), and an oil sample was recovered during the logging program. Oil was subsequently recovered at surface from the well bore from this zone. Interpretation of pressure data indicates a potential oil column of at least 14 meters of which some five meters is net pay. This was a very encouraging result with the zone representing a new play type for the Ungani area and a number of additional prospects identified at this level on the existing 3D seismic.

At the conclusion of the logging and testing operations 5" (127mm) casing was run and cemented to 2,327 metres. Atlas Rig 2 was then rigged down and released. Specialist coring rig DDH1 Rig 31 then conducted coring operations through the Ungani Dolomite reservoir section. The top of the Ungani Dolomite was encountered at 2,341 metres and cores recovered from this point displayed well developed vugular porosity with strong mud gas shows. The well was cored to 2,400 metres and wireline logs were acquired. The uppermost 15 metres of the reservoir zone was interpreted from logs to be oil saturated, had significant vugular development, and had oil bleeding from cores. The well was completed to the total depth of 2,400 metres with 2-7/8" tubing and a testing program undertaken. Preliminary interpretation of the test information from the upper zone at the date of this report indicates a minimum oil column of some 15 metres with very high productivity, estimated to be over twice what we have seen in the Ungani wells.

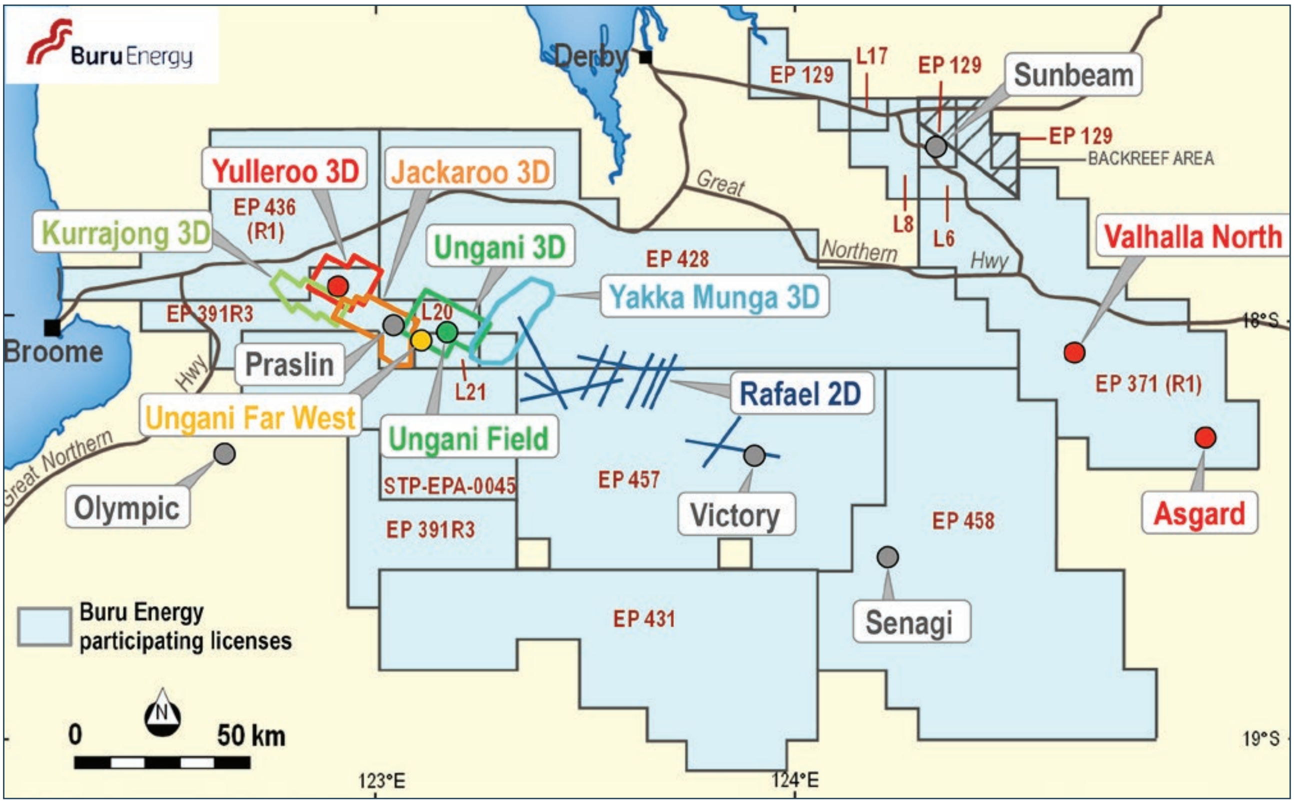
Ungani FW 1 Ungani Dolomite core



The coring program in the well was very successful with 75 metres of core cut with 93% recoverability. The small amount of lost core represents zones of high dolomitic vugular porosity which are not able to be effectively cored. It is also apparent that the core is much more dolomitised than wireline logs would suggest. The core recovery has proven extremely valuable for regional interpretation and quantification of the Ungani reserves.

Following the end of the year, the joint venture also undertook a further test of the Ungani North 1 well involving a re-perforation of the interpreted oil zone. The Ungani North 1 well was drilled in late 2012 and was interpreted to contain a significant oil column in the Ungani Dolomite section. However, on the initial test the reservoir was interpreted to be of poorer quality than the Ungani Oilfield and testing operations recovered only interpreted drilling fluid that had been lost to the formation. Initial results from the latest testing operation have seen the influx of oil with a field measured gravity of 41.5 deg API. This is a very encouraging result as oil had not previously been recovered from the well.

Ungani North 1 oil sample



Canning Basin 2015 operations

Laurel Formation Tight Gas Pilot Exploration Program (TGS15)

The TGS15 program was undertaken during the year including the following operations:

Valhalla North 1

- Four zones were stimulated with slick-water fracs using sand and ceramic proppants
- The zones reacted in line with predictions with good stimulation characteristics
- A completion was then configured to allow testing of individual zones
- The test program included flow test and cleanup operations for both individual and commingled zones
- Shut-in pressure in the well at the completion of the testing operations was in excess of 4,000psi

Early cleanup rate up the 7 inch casing from two zones, before the completion was run, recovered water, gas, and condensate with relatively stable three phase flow through the separator. Indicative calculations suggested a liquids/gas ratio of ~40 barrels per million cubic feet of gas. This is in excess of estimates made from data from existing wells and regional data.

Asgard 1

- Seven zones were stimulated with slick-water fracs using sand proppant
- The zones reacted generally as predicted
- Shut-in well head pressure was in excess of 2,800 psi prior to commencing flowback, with significant frac fluid in the well, demonstrating excellent reservoir support and desirable reservoir overpressure

Following the end of the year, the Valhalla North 1 and Asgard 1 wells continued their strong production performance constantly unloading stimulation fluid and flowing hydrocarbons. Fluid recovery to date from the Valhalla North 1 and Asgard 1 wells is 73% and 35% respectively. Along with the favorable cleanup response of the wells, flowing well head pressure has been increasing with increased fluid recovery. A limited number of production tests of separate zones have been undertaken, and together with the early results of fluid and tracer monitoring, the flow characteristics of individual zones have been able to be monitored. Although stabilised rates have still not been obtained due to continued fluid recovery, individual zones have been flowing at unstabilised rates through the flare estimated to be from 0.5 million cubic feet per day (mmcfd) to over 2.0 mmcfd. Definitive data on liquids content has not been obtained to date, however, the ratios at Valhalla North 1 are estimated to be similar to those seen in the first flowback period of some 40 barrels of liquids per million cubic feet of gas.

Following the end of the year, due to the encroaching wet season, the Joint Venture decided to suspend the testing operations at the wells. During the suspension period the data gathered will be analysed to plan the forward program. The joint venture is also moving forward with the commissioning of an independent resource report from DeGolyer and MacNaughton.

All operations have been carried out in accordance with all government and regulatory approvals and with continuous environmental, water and seismic monitoring. No effects of the operation on the environment have been observed by this monitoring program.

Valhalla North 1 cleanup flow

The joint venture is especially appreciative of the assistance of the Yungngnora (Noonkanbah) people, with up to 30 Yungngnora people directly involved in the operation, including providing access control, camp assistance, and assisting the Condor frac crew with materials handling and pressure pumping operations on site.

Seismic

Continued acquisition of seismic and aerogravity data is essential to the systematic exploration of the Canning Basin. During the year, the following seismic surveys were completed by Terrex Seismic on time and on budget:

- Yakka Munga 3D (203 sq kms)
- Raphael 2D (163 line kms)
- Kurrajong 3D (196 sq kms)

The surveys were completed without any material interruptions due to weather and utilised a new nodal system that substantially reduced the operational footprint of the surveys and will allow even faster regeneration of vegetation on the survey lines.

All of the line clearing for the surveys was monitored by senior traditional owners. The monitoring ensured that any areas of cultural significance or environmental sensitivity were avoided. The assistance and co-operation of the traditional owners is greatly appreciated and acknowledged. The results of all these surveys will be available early in 2016 and will allow definition of future drilling targets in a variety of play types.

Aerogravity surveying has proven to be an excellent regional exploration tool in the Canning Basin. Previous surveys by the joint venture have provided detailed geological data for both regional and prospect mapping, and the 2015 survey over the EP 391, EP 431 and EP 436 permits infilled a number of these previous surveys. The survey covered some 6,000 sq kms and was completed on time and on budget in eight days by CGG Aviation. The total coverage of aerogravity data acquired by the various joint ventures now exceeds 50,000 sq kms.

Health Safety and Environmental Performance

During the year some 252,000 man hours were worked in the Company's field operations with no Lost Time Injuries. Medical Treatment and First Aid cases which did not result in injury or lost time were primarily related to heat stress and minor eye irritation caused by the dusty conditions.

None of the environmental incidents recorded during the year had a significant environmental impact. The majority related to minor machinery related spills on well sites which were contained, readily cleaned up and had no environmental

Noonkanbah technicians on the Condor Energy pumping crew

Noonkanbah rangers sampling groundwater

Collaboration with Yawuru during seismic operations

Nodal geophones downloading seismic data and recharging

impact. Even in the case of the crude oil tanker rollover which was managed by Fuel Trans Australia, the responsible trucking contractor, the spill was able to be contained and cleaned up before it impacted on any sensitive receptors, avoiding significant environmental impacts.

Corporate

Alcoa gas sales contract

The FID date for the Alcoa gas sales contract has been extended a number of times, most recently to 31 July 2015. On 30 July 2015 the Company announced that given Alcoa's recent alternative gas supply arrangements, and the evolution of the gas market since 2007, the previous agreement under which Buru Energy essentially had the ability to "put" 500 PJ of gas to Alcoa was no longer appropriate for Alcoa's requirements. The parties therefore agreed to terminate the current gas sales agreement and to a staged repayment of the gas prepayment funding. However, the parties agreed to continue their relationship in regard to gas supply, and Alcoa will retain a right to purchase up to 100 PJ of gas at market related pricing and terms subject to Buru Energy undertaking a gas development that delivers gas into the Dampier to Bunbury Natural Gas Pipeline.

The original agreement between ARC Energy and Alcoa was entered into in 2007. The gas sales agreement was for ARC Energy (subsequently Buru Energy) to supply up to 500 PJ of gas to Alcoa at a gas price that reflected the long-term commitment between the parties and the realities of the Western Australian gas market in 2007. Under the terms of the original agreement, Alcoa made a $40 million prepayment for gas which was to be repaid if a final investment decision (FID) to supply gas did not occur by agreed dates. As part security for the potential repayment obligation if FID was not reached by the agreed date, Buru Energy subsequently placed $20 million into an escrow account which as at the time when the Alcoa contract was terminated, with interest and agreed withdrawals, contained some $22.4 million.

The termination of the contract resulted in a revised agreement with the repayment of the gas pre-payment funds scheduled as follows:

(a) $15 million was paid on 4 August 2015 from the ~$22.4 million of funds in the escrow account. The remaining funds in the escrow account were released and contributed to Buru Energy's share of the tight gas exploration program;

(b) $12.5 million is to be paid on 30 June 2017; and

(c) $12.5 million is to be paid on 30 June 2018, subject to certain financial criteria being met by Buru Energy from December 2017 (as disclosed in note 24 for the financial statements).

Dismissal of the Fitzroy River Royalty Claim

On 14 April 2015, the Western Australian Supreme Court delivered a decision in proceedings CIV 2315 of 2013 involving Buru Energy, Mitsubishi and Fitzroy River Corporation (Fitzroy) regarding the proper construction of the Canning Basin Royalty Deed. His Honour Mr Justice Mitchell, dismissed Fitzroy's claim in relation to the royalty payable under the Canning Basin Royalty Deed and confirmed that Buru Energy and Mitsubishi's interpretation of the Deed is correct. Fitzroy was ordered to pay the costs of Buru Energy and Mitsubishi. As a result of this decision Fitzroy will continue to receive a 2% royalty based on the value of the petroleum at the well head.

Restructure of Coastal Permits Farmin

During the year Buru reached an agreement with Quadrant Energy in relation to the Coastal Titles Farmin Agreement which was originally executed on 1 November 2013. Under the terms of the agreement, Quadrant has now withdrawn from the Coastal Permits (EP 390, 438, 471 and 473) and has paid the Buru Energy and Mitsubishi joint venture a gross sum of $10 million (~$4.9 million net to Buru Energy after adjustments), in fulfilment of its farmin obligations.

The terms of the original farmin agreement included a commitment by Quadrant Energy (then Apache Energy) to fund a $25 million exploration program on EP 390, 438, 471 and 473. Through the farmin, Quadrant earned a 50% interest in these permits and Buru Energy and Mitsubishi each then held a 25% equity interest. Subsequent to the withdrawal of Quadrant, Buru and Mitsubishi are the only holders of the Coastal Permits and as set out below the Company has now applied to the DMP to relinquish these permits.

Acreage Rationalisation

In the current economic and oil price climate the Company's operations are focused on the areas that have both the highest prospectivity and the best potential for commercial development. As part of this focus the Company continuously reviews the prospectivity, work program commitments and the feasibility of commercial development of its permits in the remote areas of the Canning Basin. Further to this review process, application was made to the Western Australian regulatory authorities for the relinquishment of the areas known as the Coastal Permits (EP 390, 438, 471 and 473) and Acacia Permits (EP 472, 476, 477 and 478) as set out on the map below. These permits cover the area of the basin which is prospective for the Goldwyer Shale petroleum system. Although areas of high prospectivity remain in these permits, they are remote and geologically high risk, and the work commitments would entail the drilling of a number of wells over the next few years if the permits were retained. The relinquishment of these areas is a considered response to a combination of long term technical evaluation and current economic conditions.

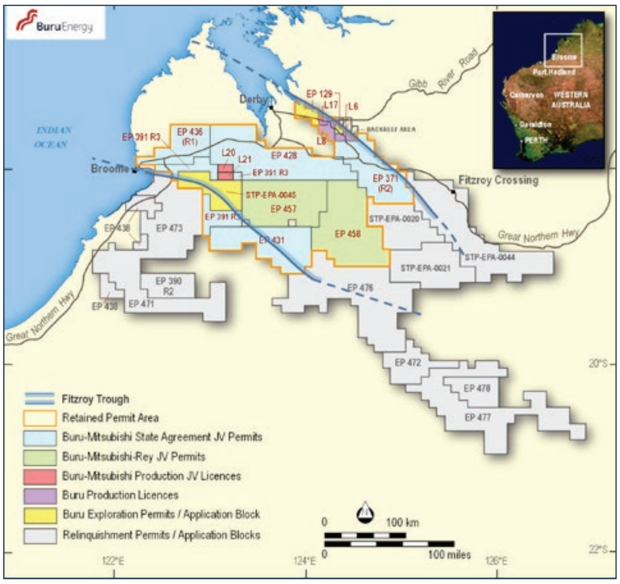
The other areas being relinquished include the eastern application areas as also shown on the map. These areas do contain good prospectivity for Laurel Formation gas accumulations but again are remote. They also cover areas with significant environmental and aboriginal heritage values which also include complex and potentially overlapping Native Title claims and determinations. Following the end of the year, the Company has been informed by the DMP that its relinquishment of the eastern application areas has been accepted. The relinquishment of the Coastal and Acacia permits is proceeding and the DMP has also informed the Joint Venture that its request for an exemption from the remaining work commitment on the Coastal Block EP 438 has been approved.

The Company has a long term exploration strategy for the Canning Basin and has been undertaking a systematic exploration program over the last five years which has resulted in the discovery of the Ungani Oilfield and the delineation of a major gas and liquids accumulation in the Laurel Formation. The relinquishment of these areas will allow the Company to focus on its core areas in the Fitzroy Trough including the Ungani trend and the Laurel accumulations at Valhalla/Asgard and at Yulleroo. As part of this focus the joint venture is undertaking a major review of its core areas with a complete re-evaluation of the data acquired by its exploration of the basin to date including its extensive 3D seismic data base. This review will help focus the next drilling program on areas of highest prospectivity and lowest risk.

Administration and Corporate

During the year, the Company continued its review of programs and budgets to ensure they were appropriate for the current difficult global oil price and share market conditions. The current downturn in exploration activity has also led to a considerable reduction in contracting costs and the Company took advantage of these conditions to undertake an aggressive exploration program. The Company's 2015 drilling and seismic operations were undertaken at very materially reduced costs using a variety of fit for purpose equipment and ensuring its contracting strategy resulted in the lowest costs and lowest risk operations.

In association with the review of its acreage and commitments the Board also continuously reviews the structure and staffing of the Company to ensure it is appropriate for activity levels and work programs. Given the pending completion of the work programs for 2015, and the onset of the wet season, the Company's operational staff levels will be reduced to as low a level as practicable and several corporate positons have been made redundant.



Resignation of Non-Executive Director

On 23 April 2015, Buru Energy advised that Non-Executive Director the Hon Peter Jones had resigned from the Board effective immediately. Mr Jones had been suffering from ill health and wished to be able to concentrate on his recovery. Subsequent to Mr Jones' resignation, the Board consists of Mr Eric Streitberg (Executive Chairman) and Non-Executive Directors Ms Eve Howell and Mr Robert Willes. The Board expresses its appreciation to Mr Jones for his dedicated service and wise counsel and wishes him well for the future.

Yakka Munga Pastoral Lease

On 16 January 2015, the Company acquired the Yakka Munga Pastoral Station lease and the associated cattle for a purchase price of $7 million. The lease covers the area of the Ungani oilfield. Further information is included at note 34 to the financial statements.

Following the end of the year, Buru Energy's wholly owned subsidiary has entered an agreement to sell the Yakka Munga Pastoral Lease with Shanghai Zenith (Australia) Investment Holding Pty Ltd for a sum of $8.75 million. The agreement is subject to various conditions including government approvals, due diligence, and a condition that the parties enter into an agreement regarding Buru Energy's ongoing access to the pastoral lease area for petroleum activities. If any of the conditions are not satisfied or waived, the sale agreement may be terminated. If all conditions are satisfied or waived, the transaction is expected to be completed in the first half of 2016.

Directors' Report

The Directors present their report together with the consolidated financial statements of the Group comprising Buru Energy Limited ("Buru Energy" or "Group") and its subsidiaries for the year ended 31 December 2015, and the auditor's report thereon. The remuneration report for the year ended 31 December 2015 on pages 24 to 30 forms part of the Directors' report.

Directors

The Directors of the Company at any time during or since the end of the financial year are:

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Mr Eric Streitberg, BSc (App Geoph) Executive Chairman	Mr Streitberg has more than 40 years of experience in petroleum geology and geophysics, oil and gas exploration and oil and gas company management. He was a founding shareholder and held the position of Managing Director of ARC Energy Limited from 1997 until August 2008, during which time ARC Energy Limited was transformed from a junior oil and gas exploration company into a mid-size Australian oil and gas producer. He was also the founding shareholder and Managing Director of Discovery Petroleum which was a key participant in the renaissance of the Perth Basin as a significant gas producer until the takeover of that company in 1996. Prior to that he held various senior international exploration roles with Occidental Petroleum and BP. He was a founding shareholder and Non-executive Director of Adelphi Energy Limited from 2005 until its takeover in 2010. He is a Fellow of the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors, a member of the Society of Exploration Geophysicists, Petroleum Exploration Society of Australia and the American Association of Petroleum Geologists. Mr Streitberg is a Director and past Chair of the Australian Petroleum Production and Exploration Association and has also chaired the APPEA Exploration and Environment Committees. He is the immediate past Chair of the Marine Parks and Reserves Authority of Western Australia. Mr Streitberg is a Certified Petroleum Geologist and Geophysicist and holds a Bachelor of Science (App. Geoph.) from the University of Queensland. Mr Streitberg has been a Director since October 2008 and has been the Executive Chairman since 23 May 2014, he is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee.

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Ms Eve Howell Independent Non-executive Director	Ms Howell has over 40 years of experience in the oil and gas industry in a number of technical and managerial roles, primarily with Amoco Corporation, Apache Energy Ltd and Woodside Energy Ltd. She is a director of ASX-listed Downer EDI Limited and MMA Offshore Ltd. Ms Howell is also on the Senior Advisory Panel of Miro Advisors Ltd. She has previously served on a number of boards including Tangiers Petroleum (as Executive Chairman), the Fremantle Port Authority, the Australian Petroleum Production and Exploration Association, and as a board member and President of the Australian Mines and Metals Association. She is a Graduate of the Australian Institute of Company Directors. Ms Howell began her exploration career in the UK and since 1981 has worked for several Australian based companies including Apache during a time when the company developed significant oil production from the Carnarvon Basin and became the second largest domestic gas supplier. She held various senior positions in Apache in Australia including Business Development Manager and Managing Director. Between 2006 and 2011, Ms Howell was a Woodside Executive Committee member, with her positions including Executive Vice President of the North West Shelf. Ms Howell holds a Bachelor of Science (with Honours in Geology and Mathematics) from the University of London and an MBA from Edinburgh Business School. Ms Howell has been a Director since July 2014, is the Chairperson of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Mr Robert Willes Independent Non-executive Director	Mr Willes has over 25 years of extensive international experience in the oil and gas and energy industries. He is the Managing Director of Challenger Energy Ltd and has previously served on a number of boards including the Australian Petroleum Production and Exploration Association (APPEA), North West Shelf Gas Pty Ltd, North West Shelf Liaison Co. Pty Ltd, North West Shelf Australia LNG Pty Ltd, North West Shelf Shipping Services Co. Pty Ltd, Carbon Reduction Ventures Pty Ltd and Perth Centre for Photography. His early career with BP involved several positions in petroleum product supply, trading and marketing, and as a lead negotiator for numerous gas transactions in Europe. He subsequently joined BP's Group Mergers and Acquisitions team, where he led the divestments of Burmah Castrol's Chemicals Division and Great Yarmouth Power Ltd, and advised the Corporation on a number of acquisition opportunities. In Australia, Mr Willes was BP's General Manager of the North West Shelf LNG Project. He also had overall accountability for BP's interests in the Browse LNG and Greater Gorgon LNG Projects, and for Business Development activities in Asia Pacific. More recently, Mr Willes was CEO of Eureka Energy Limited, and was instrumental in managing the recommended A$107million on-market takeover by Aurora Oil and Gas Limited. He is currently Managing Director of Challenger Energy Ltd, an ASX-listed oil and gas explorer with exposure to the emerging world-scale shale gas province in South Africa's Karoo Basin. Mr Willes is a Graduate of the Australian Institute of Company Directors and member of the Association of International Petroleum Negotiators. He holds an Honours Degree in Geography from Durham University in the UK, and has completed Executive Education Programmes at Harvard Business School in the USA and Cambridge University in the UK. Mr Willes has been a Director since July 2014, is the Chairperson of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.
The Hon. Peter Jones AM Independent Non-executive Director (Resigned 23 April 2015)	The Hon. Mr Jones was a member of the Western Australian Parliament from 1974 to 1986 during which time he served as the Minister for Resources Development, Mines, Fuel and Energy. He was the founding Chairman of ARC Energy Limited and Chairman of AMMTEC Limited. He previously served as the Chairman of Defence Housing Australia and the Water Corporation of Western Australia. The Hon. Mr Jones was a Director from October 2009 to April 2015 and was Chairperson of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

Company Secretary

Mr Shane McDermott, CA, AGIA, BComm (Accounting and Finance) has an accounting and auditing background having worked at a large international accounting practice for five years at its Perth office before joining Buru Energy in 2009. He is a member of the Institute of Chartered Accountants Australia and an Associate of the Governance Institute of Australia. Mr McDermott has been the Company Secretary from July 2014. He previously acted as Buru Energy's Joint Company Secretary from December 2011 to November 2012.

Board and Committee Meetings

The number of Board and Committee meetings and the number of meetings attended by each of the Directors of the Company during the year were:

Meeting	Board Meetings		Audit & Risk Committee Meetings		Remuneration & Nomination Committee Meetings	
Director	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Eric Streitberg	14	14	3	2	4	4
Eve Howell	14	14	3	3	4	4
Robert Willes	14	14	3	3	4	4
Peter Jones*	4	1	1	0	0	0

* Prior to his resignation, Mr Jones was unable to attend several Board and Committee meetings due to illness.

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.

Operations Review

The Operations Review for the year ended 31 December 2015 is set out on pages 7 to 16 and forms part of this Directors' Report.

Operating Results

The consolidated loss of the Group after providing for income tax for the year ended 31 December 2015 was $40,424,000 (31 December 2014: loss of $31,643,000).

Financial Position

The net assets of the Group totalled $90,027,000 as at 31 December 2015 (31 December 2014: $129,966,000).

Dividends

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

Significant Changes in the State of Affairs

No significant change in the state of affairs of the Group occurred during the period other than already referred to elsewhere in this report.

After Balance Date Events

No significant events have occurred subsequent to balance date other than those already disclosed in the Operations Review.

Likely Developments

The Group's likely developments in its operations in future financial years and the expected results of those operations have been included generally in the Operations Review. Other than as disclosed elsewhere, disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed.

Environmental Regulations

Buru Energy is subject to environmental regulation under relevant Australian and Western Australian legislation in relation to its oil and gas exploration and production activities. The DMP is the primary regulator in Western Australia for petroleum activities though the Group's activities are also regulated by the Western Australian Department of Environment Regulation (DER) and Western Australian Department of Water (DOW). The Directors actively monitor compliance with these regulations. As at the date of this report, the Directors are not aware of any material breaches in respect of the regulations.

Prior to and during the Group's Tight Gas (fraccing) Program, the Company undertook a rigorous and comprehensive environmental monitoring program in partnership with Traditional Owners from the Noonkanbah community. The results of this monitoring program are publically available on the Company website and clearly demonstrate that the tight gas program had no impact on groundwater or the environment generally.

Directors' Interests

The relevant interest of each Director in the shares or options issued by the Company, as notified by the Directors to the ASX in accordance with s205G(1) of the *Corporations Act 2001*, at the date of this report are as follows:

Directors	Ordinary Shares	Unlisted Options	Share Appreciation Rights
Eric Streitberg	28,720,566	–	–
Eve Howell	145,000	–	–
Robert Willes	–	–	–
Total	**28,865,566**	–	–

Share Options

At the date of this report, the unissued shares of the Company (all of which are held by employees of the Company) under option are as follows:

Date of Expiry	Exercise Price	Number of shares under Option
31 December 2016	$1.12	4,500,000
31 December 2017	$0.80	4,450,000
Total		**8,950,000**

All unissued shares are ordinary shares in the Company. All options expire on the earlier of their expiry date or within 30 days from termination of the employee's employment. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate. Further details about options granted to Directors or senior executives during the financial year are included in the Remuneration Report on pages 24 to 30. No options have been granted since the end of the reporting period. During or since the end of the reporting period, no shares were issued on the exercise of options previously granted as compensation.

Share Appreciation Rights

Details of the Share Appreciation Rights **(SARs)** outstanding as at the date of this report are as follows:

Number of SARs outstanding	Grant date	Vesting date	Exercise price per SAR ($)	Expiry date	% of SARs vested	Year in which grant vests
200,000	3 Jan 13	31 Dec 13	4.00	30 Jun 16	100%	2013
250,000	3 Jan 13	31 Dec 14	4.25	30 Jun 16	100%	2014
300,000	3 Jan 13	31 Dec 15	4.50	30 Jun 16	100%	2015
1,471,213	3 Jan 14	31 Oct 16*	1.63	31 Oct 19	0%	2016
2,221,213						

* This is the service period vesting date. The vesting is also subject to various performance hurdles relating to Relative Total Shareholder Return

Further details about SARs granted to Directors or senior executives during the financial year are included in the Remuneration Report on pages 24 to 30.

Indemnification and Insurance of Officers

The Company has agreed to indemnify all current Directors and officers of the Company and its controlled entities against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

During the year, the Company has paid insurance premiums of $56,628 (2014: $62,172) in respect of Directors' and officers' liability. The premiums cover current and former Directors and officers, including senior executives of the Company and Directors and secretaries of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

Proceedings on Behalf of Company

No person has applied for leave from any Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the period.

Non-audit Services

During the period, the Company's auditor did not perform any other services in addition to their statutory audit, half year review and joint venture audits. During the year ended 31 December 2015, the amount paid or payable to the Group's auditor (KPMG Australia) for statutory and other audit and review services totalled to $97,600 (31 December 2014: $87,425).

Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 31 and forms part of the Directors' Report for the year ended 31 December 2015.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the 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
21 March 2015

Mr Robert Willes
Non-executive Director
Perth
21 March 2015

Principles of compensation - Audited

The Directors present their Remuneration Report for Buru Energy for the year ended 31 December 2015. This remuneration report outlines the remuneration arrangements of the Company's Directors and other key management personnel (KMP) in accordance with the requirements of the *Corporations Act 2001* and its Regulations. In accordance with section 308(3C) of the *Corporations Act 2001*, the Remuneration Report has been audited and forms part of the Directors' Report. Remuneration is also referred to as compensation throughout this report.

During the previous year (2014), the Company underwent a process of significant organisational restructuring to achieve long term cost saving initiatives. Redundancies were an important and necessary part of this process during 2014 and the resulting savings were achieved in 2015. This is reflected in the 2015 Remuneration Report with total KMP remuneration decreasing from $6.2m in 2014 to $2.6m in 2015.

KMP have the authority and responsibility for planning, directing and controlling the activities of the Group and comprise the Directors, executives and senior management in accordance with s300A of the Corporations Act 2001.

Compensation levels for KMP are competitively set to attract and retain appropriately qualified and experienced Directors and executives. The compensation structures explained below are designed to reward the achievement of the Company's strategic objectives and achieve the broader outcome of the creation of shareholder value. The Company's compensation structures take into account:

- the capability and experience of KMP; and
- the Group's corporate, operational and financial performance.

Compensation packages include a mix of fixed and variable compensation, and short and long term performance based incentives.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the Remuneration and Nomination Committee through a process that considers individual, segment and overall performance of the Group. In addition, external consultants provide analysis and advice to ensure the Directors, executive and senior management compensation is competitive in the market place. Compensation is also reviewed on promotion.

Performance linked compensation

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward KMP for meeting or exceeding the Company's expectations and agreed objectives. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash, while the long-term incentive (LTI) is provided under the Employee Share Option Plan (ESOP) and as Share Appreciation Rights (SARs) to KMP. The LTIs are structured to ensure that incentives are appropriately aligned to sustainable shareholder value creation.

Short-term incentive bonuses

The payments of bonuses are linked to the fulfilment of key performance indicators (KPIs). The KPIs are designed to promote shareholder value creation and include financial and non-financial measures. The individual's reward under the STI bonus scheme is directly aligned to the creation of shareholder value through the achievement of the Company's strategic and performance goals. All STI bonuses are subject to Board approval.

The financial and non-financial measures vary with position and responsibility and include measures such as achieving operational outcomes and ensuring high levels of safety and environmental performance.

There were no STI bonuses paid during 2015.

Long-term incentive bonuses

The Remuneration and Nomination Committee considers that an LTI scheme structured around equity based compensation is necessary to attract and retain the highest calibre of professionals to the Group, whilst preserving the Group's cash reserves. The purpose of these schemes is to align the interests of KMP with shareholders and to reward, over the medium term, KMP for delivering value to shareholders through share price appreciation.

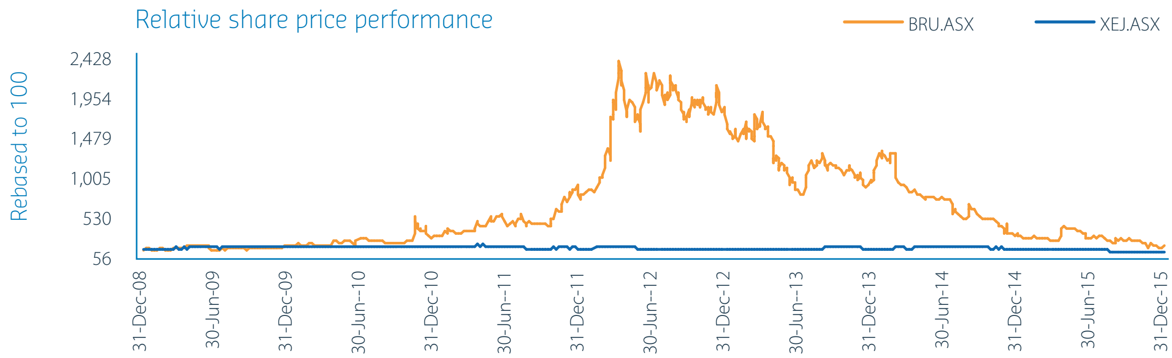
Options are issued under the ESOP in accordance with the thresholds set in the plan approved by shareholders. The number of options available to be issued under the ESOP is limited to 5% of the total number of ordinary shares in the Company. The options are issued for no consideration and vest immediately. All options refer to options over ordinary shares of Buru Energy Limited which are exercisable on a one for one basis.

Each SAR represents a right to an award equivalent to the positive difference between the notional share price set at the date of grant and the share price at the date of exercise, subject to satisfaction of any vesting conditions and exercise conditions. At the Board's discretion, the award may be settled in ordinary shares of an equivalent value or as a cash payment.

There were no SARs issued during 2015.

Consequences of performance on shareholder wealth

The Board considers that the most effective way to increase shareholder wealth is through the successful exploration and development of the Group's oil and gas exploration permits. The Board considers that the Group's LTI schemes incentivise KMP to successfully explore the Group's oil and gas permits by providing rewards, over the short and long term that are directly correlated to delivering value to shareholders through share price appreciation. The Company's relative share price performance is the primary measure when the Board considers the effectiveness of STI and LTI remuneration consequences on shareholder wealth.



Period: 1 Jan 2009 - 31 Dec 2015 *Note: XEJ is S&P/ASX 200 Energy*

Service contracts

The employment contract with the Executive Chairman, Mr Eric Streitberg, is unlimited in term but capable of termination with three months' notice by either party, or by payment in lieu thereof at the discretion of the Company.

Service contracts with all other current non-Director KMP are unlimited in term but capable of termination on three months' notice by either party, or by payment in lieu thereof at the discretion of the Company.

The Remuneration & Nomination Committee determined the amount of compensation payable to KMP under each agreement. KMP are also entitled to receive their contractual and statutory entitlements including accrued annual and long service leave, together with any superannuation benefits, on termination of employment. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by KMP and any changes required to meet the principles of the Group's compensation policy.

There were no salary increases made to KMP during 2015.

Services from remuneration consultants

There were no services received from remuneration consultants during the period.

Non-executive Directors

Total fixed compensation for all Non-executive Directors, last voted upon by shareholders at the 2012 Annual General Meeting, is not to exceed $600,000 per annum. The Non-executive Directors' base fee is $92,000 plus statutory superannuation per annum and the Chairman's base fee is $150,000 plus statutory superannuation per annum. Mr Streitberg is not eligible for this remuneration. An additional fee of $7,000 plus statutory superannuation per annum is payable for Non-executive Directors being a member of a Committee and the fee for chairing a Committee is $14,000 plus statutory superannuation.

Key Management Personnel Compensation - Audited

Details of the nature and amount of each major element of remuneration of each director of the Company and other key management personnel of the consolidated entity are:

		Short-term				Post-employment			Share-based payments			
		Salary & Fees	STI cash bonus (A)	Non-monetary benefits (B)	Total	Superannuation benefits	Other long term	Termination benefits (C)	ESOP / SARs (D)	Total	s300A(1)(e)(i) proportion of remuneration performance related	s300A(1)(e)(vi) value of share based payments as a proportion of remuneration
Non-executive Directors												
Ms E Howell, NED (Appointed Jul 2014)	2015	110,667	–	–	**110,667**	10,447	–	–	–	**121,114**	0.00%	0.00%
	2014	44,167	–	–	**44,167**	4,085	–	–	–	**48,252**	0.00%	0.00%
Mr R Willes, NED (Appointed Jul 2014)	2015	113,000	–	–	**113,000**	10,664	–	–	–	**123,664**	0.00%	0.00%
	2014	47,083	–	–	**47,083**	4,355	–	–	–	**51,438**	0.00%	0.00%
The Hon. P Jones AM, NED (Resigned Apr 2015)	2015	35,494	–	–	**35,494**	3,301	–	–	–	**38,795**	0.00%	0.00%
	2014	116,937	–	–	**116,937**	10,817	–	–	–	**127,754**	0.00%	0.00%
Mr G Riley, NED Chairman (Resigned May 2014)	2015	–	–	–	**–**	–	–	–	–	**–**	0.00%	0.00%
	2014	64,917	–	–	**64,917**	6,005	–	–	–	**70,922**	0.00%	0.00%
Mr A Miller, NED (Resigned Feb 2014)	2015	–	–	–	**–**	–	–	–	–	**–**	0.00%	0.00%
	2014	11,771	–	–	**11,771**	1,089	–	–	–	**12,860**	0.00%	0.00%
Total Non-executive Directors' Remuneration	**2015**	**259,161**	**–**	**–**	**259,161**	**24,412**	**–**	**–**	**–**	**283,573**	**0.00%**	**0.00%**
	2014	284,875	–	–	284,875	26,351	–	–	–	311,226	0.00%	0.00%
Executive Directors												
Mr E Streitberg, Exec Director (Exec Chairman since May 2014)	2015	620,000	–	15,640	635,640	58,900	–	–	–	694,540	0.00%	0.00%
	2014	513,309	–	14,634	527,943	95,991	–	524,400	–	1,148,334	0.00%	0.00%
Dr K Wulff, Managing Director (Ceased employment Jul 2014)	2015	–	–	–	–	–	–	–	–	–	0.00%	0.00%
	2014	338,898	250,000	7,682	596,580	70,917	–	206,666	–	874,163	28.59%	0.00%
Total Directors' Remuneration	**2015**	**879,161**	**–**	**15,640**	**894,801**	**83,312**	**–**	**–**	**–**	**978,113**		
	2014	1,137,082	250,000	22,316	1,409,398	193,259	–	731,066	–	2,333,723		

		Short-term				Post-employment			Share-based payments			
		Salary & Fees	STI cash bonus (A)	Non-monetary benefits (B)	Total	Superannuation benefits	Other long term	Termination benefits (C)	ESOP / SARs (D)	Total	s300A(1)(e)(i) proportion of remuneration performance related	s300A(1)(e)(vi) value of share based payments as a proportion of remuneration
Executives												
Mr N Rohr, General Counsel	2015	397,050	–	14,435	**411,485**	30,000	–	–	102,546	**544,031**	18.85%	18.85%
(Commenced Feb 2014)	2014	356,522	–	9,452	**365,974**	25,416	–	–	93,747	**485,137**	19.32%	19.32%
Mr R Aden, General Manager - Commercial	2015	330,000	–	14,762	**344,762**	31,350	–	–	50,215	**426,327**	11.78%	11.78%
(Commenced Nov 2014) (E)	2014	48,654	–	590	**49,244**	4,622	–	–	41,416	**95,282**	43.47%	43.47%
Mr S McDermott, Head of Finance & Company	2015	270,000	–	16,856	**286,856**	25,506	–	–	66,161	**378,523**	17.48%	17.48%
Secretary	2014	207,160	–	9,871	**217,031**	19,464	–	–	57,362	**293,857**	19.52%	19.52%
Mr P Milford, Chief Operating Officer	2015	33,160	–	–	**33,160**	20,567	–	183,333	–	**237,060**	0.00%	0.00%
(Ceased employment Jan 2015)	2014	550,000	–	7,080	**557,080**	51,563	–	–	277,312	**885,955**	31.30%	31.30%
Mr B Williams GM Commercial	2015	–	–	–	**–**	–	–	–	–	**–**	0.00%	0.00%
(Ceased employment Dec 2014)	2014	601,200	–	7,080	**608,280**	–	–	–	–	**608,280**	0.00%	0.00%
Mr J Ford GM Community Relations	2015	–	–	–	**–**	–	–	–	–	**–**	0.00%	0.00%
(Ceased employment Aug 2014)	2014	228,574	–	3,552	**232,126**	20,503	–	100,000	–	**352,629**	0.00%	0.00%
Mr C Bath, CFO and Company Secretary	2015	–	–	–	**–**	–	–	–	–	**–**	0.00%	0.00%
(Ceased employment Jul 2014)	2014	250,447	–	7,682	**258,129**	46,520	–	398,520	–	**703,169**	0.00%	0.00%
Ms L Dawson GM Corporate Affairs	2015	–	–	–	**–**	–	–	–	–	**–**	0.00%	0.00%
(Ceased employment Jul 2014)	2014	196,874	–	3,540	**200,414**	8,094	–	175,000	–	**383,508**	0.00%	0.00%
Ms L West General Counsel	2015	–	–	–	**–**	–	–	–	–	**–**	0.00%	0.00%
(Ceased employment Apr 2014)	2014	60,360	–	–	**60,360**	3,375	–	–	–	**63,735**	0.00%	0.00%
Total Executive Officer Remuneration	**2015**	**1,030,210**	**–**	**46,053**	**1,076,263**	**107,423**	**–**	**183,333**	**218,922**	**1,585,941**		
	2014	2,499,791	–	48,874	2,548,638	179,557	–	673,520	469,837	3,871,552		
Total Directors and Executive Officer Remuneration	**2015**	**1,909,371**	**–**	**61,693**	**1,971,064**	**190,735**	**–**	**183,333**	**218,922**	**2,564,054**		
	2014	3,636,873	250,000	71,190	3,958,036	372,816	–	1,404,586	469,837	6,205,275		

Notes in relation to the table of KMP remuneration

A. No STI bonuses were paid or vested during the period. In the prior period, Dr Wulff received a Board approved STI cash bonus of $250,000.

B. Non-monetary benefits to KMP relate to the provision of car parking, life insurance and salary continuance insurance.

C. During the period Mr Milford was provided with a termination benefit of 4 months' salary based on an annual salary of $550,000 in accordance with the provisions of his employment contract. In the prior period a number of KMP were provided with termination benefits in accordance with their employment contracts. Dr Wulff was provided with a termination benefit of 4 months' salary based on an annual salary of $620,000. Mr Bath was provided with a termination benefit of 12 months' salary based on an annual salary of $398,520. Ms Dawson was provided with a termination benefit of 6 months' salary based on an annual salary of $350,000. Mr Ford was provided with a termination benefit of $100,000, this amount was agreed between the Company and Mr Ford. Also during the prior period, on 14 January 2014, Mr E Streitberg assumed the role of Non-executive Director of Buru Energy and ceased to act in an executive capacity for the Company. Under Mr Streitberg's previous executive contract, he was entitled to a termination benefit of 12 months' salary in recognition of his service since the foundation of the Company in 2008. Following Mr Riley's resignation as Chairman on 23 May 2014, Mr Streitberg was reappointed by the Board in an executive capacity as Executive Chairman and was engaged at a day rate of $1,600 per day. On 2 July 2014, Dr Wulff entered into an agreement with the Company under which he relinquished his executive position and resigned as a Director of the Company. Mr Streitberg assumed Dr Wulff's duties and Mr Streitberg's remuneration was set at $620,000 per annum excluding superannuation. This was equivalent to Dr Wulff's salary prior to his cessation of employment.

D. The fair value of the options issued under the ESOP is calculated at the date of grant using the Black & Scholes option-pricing model and expensed at grant date. The value disclosed is the portion of the fair value of the options recognised in this reporting period. The fair value of the SARs is calculated at the date of grant using the Black & Scholes option-pricing model and expensed over the vesting period. The value disclosed is the portion of the fair value of the SARs recognised in this reporting period.

E. Mr Aden ceased employment with the Company subsequent to the end of the reporting period in February 2016. Mr Aden was provided with a termination benefit of 6 months' salary based on an annual salary of $330,000 in accordance with his employment contract.

Loans to Key Management Personnel

There were no loans outstanding at the end of the period to key management personnel or their related parties.

Shares held by Key Management Personnel

KMP	Held at 1 Jan 15	Commenced as KMP / Ceased as KMP	Exercise of options	Purchased	Sold	Held at 31 Dec 15
Mr E Streitberg	28,720,566	–	–	–	–	28,720,566
The Hon P Jones	248,277	(248,277)	–	–	–	–
Ms E Howell	65,000	–	–	80,000	–	145,000
Mr S McDermott	70,000	–	–	–	–	70,000

Analysis of share based payments - ESOP

Details of the options issued under the ESOP to each KMP during the reporting period and details of vesting profiles of options that vested during the reporting period are as follows:

KMP	Number of options granted	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	% of options vested	% of options forfeited	Financial years in which grant vests
Mr N Rohr	300,000	21 May 15	0.17	0.80	31 Dec 17	100%	0%	2015
Mr R Aden	300,000	21 May 15	0.17	0.80	31 Dec 17	100%	0%	2015
Mr S McDermott	300,000	21 May 15	0.17	0.80	31 Dec 17	100%	0%	2015

The movement during the period by value of options granted under the ESOP to KMP during the period is detailed below.

KMP	Granted during the period $(A)	Value of options exercised $(A)	Value of options lapsed $(A)	Recognised as an expense during the period $(A)
Mr N Rohr	50,215	–	–	50,215
Mr R Aden	50,215	–	–	50,215
Mr S McDermott	50,215	–	–	50,215

The movement during the period by number of options granted under the ESOP to KMP during the period is detailed below.

KMP	Held at 1 Jan 15	Granted as compensation	Exercised	Lapsed	Held at 31 Dec 15	Vested during the year	Vested and exercisable
Mr N Rohr	300,000	300,000	–	–	600,000	300,000	600,000
Mr R Aden	300,000	300,000	–	–	600,000	300,000	600,000
Mr S McDermott	300,000	300,000	–	–	600,000	300,000	600,000

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients. All options expire on the earlier of their expiry date or 30 days after the termination of the individual's employment. The options vested immediately and are exercisable from grant date. No terms of options granted as compensation to a KMP have been altered or modified by the issuing entity during the reporting period or the prior period. During the reporting period, no shares were issued on the exercise of options previously granted as compensation.

Analysis of share based payments - SARs

No Share Appreciation Rights (SARs) were granted to KMP during the reporting period.

The movement during the period by number of SARs granted to KMP during the period is detailed below.

KMP	Held at 1 Jan 15	Granted as compensation	Exercised	Lapsed	Held at 31 Dec 15	Vested during the year	Vested and exercisable
Mr P Milford	1,000,000	–	–	(1,000,000)	–	–	–
Mr N Rohr	221,839	–	–	–	221,839	–	–
Mr S McDermott	67,596	–	–	–	67,596	–	–

No SARs have been granted since the end of the financial year. The SARs were provided at no cost to the recipients. All SARs expire on the earlier of their expiry date or on the termination of the individual's employment. The SARs are subject to service conditions and performance hurdles before they vest. The service condition is continued employment with the Company from 1 November 2013 to 31 October 2016. The performance hurdles are measured against Total Shareholder Return (TSR) against a custom peer group of companies and the ASX 200 over three separate tranches with the third tranche concluding 31 October 2016. No SARs vest until completion of the service condition on 31 October 2016. No terms of SARs granted as compensation to a KMP have been altered or modified by the issuing entity during the reporting period or the prior period. During the reporting period, no shares were issued on the exercise of SARs previously granted as compensation.

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 audit for the financial year ended 31 December 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Graham Hogg
Partner

Perth

21 March 2016

Consolidated Statement of Financial Position

As at 31 December 2015

in thousands of AUD	Note	31 December 2015	31 December 2014
CURRENT ASSETS			
Cash and cash equivalents	20a	33,897	59,893
Trade and other receivables	18	2,003	5,328
Inventories	19	2,966	6,400
Investments	16	–	15,367
Agricultural assets	13	2,625	–
Total Current Assets		**41,491**	**86,988**
NON-CURRENT ASSETS			
Property, plant and equipment	12	10,702	7,585
Exploration and evaluation expenditure	14	48,240	64,930
Oil and gas assets	15	24,129	14,666
Investments	16	105	7,311
Total Non-Current Assets		**83,176**	**94,492**
TOTAL ASSETS		**124,667**	**181,480**
CURRENT LIABILITIES			
Trade and other payables	23	7,655	3,713
Provisions	25	1,387	1,208
Total Current Liabilities		**9,042**	**4,921**
NON-CURRENT LIABILITIES			
Trade and other payables	23	–	40,000
Loans and borrowings	24	21,507	–
Provisions	25	4,091	6,593
Total Non-Current Liabilities		**25,598**	**46,593**
TOTAL LIABILITIES		**34,640**	**51,514**
NET ASSETS		**90,027**	**129,966**
EQUITY			
Contributed equity		258,211	258,211
Reserves		2,626	2,316
Accumulated losses		(170,810)	(130,561)
TOTAL EQUITY		**90,027**	**129,966**

The notes on pages 36 to 76 are an integral part of these consolidated financial statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

in thousands of AUD	Note	31 December 2015	31 December 2014
Revenue	7	3,484	15,141
Operating costs		(5,294)	(9,715)
Amortisation of oil and gas assets		(2,198)	(1,404)
Gross profit/(loss)		(4,008)	4,022
Other income	8	457	1,831
Exploration and evaluation expenditure		(1,639)	(13,560)
Impairment of exploration expenditure	14	(29,158)	(10,183)
Impairment of inventories	19	(2,950)	–
Impairment of loan provided to suppliers		–	(1,681)
Corporate and administrative expenditure	9	(6,736)	(13,281)
Share based payment expenses	26	(981)	(1,133)
Other expenditure	34	(519)	–
Results from operating activities		**(45,534)**	**(33,985)**
Financial income	10	5,110	2,342
Net finance income		**5,110**	**2,342**
Loss for the period before tax		**(40,424)**	**(31,643)**
Income tax (expense)/benefit	11	–	–
Loss for the period		**(40,424)**	**(31,643)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Change in fair value of available–for–sale financial assets net of tax		(496)	(978)
Other comprehensive income for the period, net of income tax		**(496)**	**(978)**
Total comprehensive loss for the period		**(40,920)**	**(32,621)**
Loss per share (cents)	22	(11.89)	(10.24)
Diluted Loss per share (cents)	22	(11.89)	(10.24)

The notes on pages 36 to 76 are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

in thousands of AUD	Share capital $	Share based payment reserve $	Financial asset revaluation reserve $	Retained losses $	Total equity $
Balance as at 1 January 2014	**228,149**	**2,458**	**1,303**	**(100,518)**	**131,392**
Comprehensive income for the period					
Loss for the period	–	–	–	(31,643)	**(31,643)**
Net change in fair value of available–for–sale financial assets	–	–	(978)	–	**(978)**
Total comprehensive loss for the period	**–**	**–**	**(978)**	**(31,643)**	**(32,621)**
Transactions with owners recorded directly in equity					
Issue of ordinary shares, net of transaction costs	30,062	–	–	–	**30,062**
Share based payment transactions	–	1,133	–	–	**1,133**
Share options/ share appreciation rights exercised/forfeited	–	(1,600)	–	1,600	**–**
Total transaction with owners recorded directly in equity	**30,062**	**(467)**	**–**	**1,600**	**31,195**
Balance as at 31 December 2014	**258,211**	**1,991**	**325**	**(130,561)**	**129,966**
Balance as at 1 January 2015	**258,211**	**1,991**	**325**	**(130,561)**	**129,966**
Comprehensive income for the period					
Loss for the period	–	–	–	(40,424)	**(40,424)**
Net change in fair value of available–for–sale financial assets	–	–	(496)	–	**(496)**
Total comprehensive loss for the period	**–**	**–**	**(496)**	**(40,424)**	**(40,920)**
Transactions with owners recorded directly in equity					
Issue of ordinary shares, net of transaction costs	–	–	–	–	**–**
Share based payment transactions	–	981	–	–	**981**
Share options/ share appreciation rights exercised/forfeited	–	(175)	–	175	**–**
Total transaction with owners recorded directly in equity	**–**	**806**	**–**	**175**	**981**
Balance as at 31 December 2015	**258,211**	**2,797**	**(171)**	**(170,810)**	**90,027**

The notes on pages 36 to 76 are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

in thousands of AUD		31 December 2015	31 December 2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from sales of crude oil		3,992	14,063
Cash receipts from other income		1,275	1,669
Payments to suppliers and employees		(11,716)	(21,535)
Payments for exploration and evaluation		(2,589)	(19,846)
Net cash outflow from operating activities	20b	**(9,038)**	**(25,649)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,209	2,301
Payments for purchase of plant and equipment		(72)	(955)
Payments for exploration and evaluation		(21,410)	(12,499)
Research and development tax concession received		2,219	4,221
Payments for oil and gas development		(130)	(2,813)
Payments for acquisition of Yakka Munga Station Pastoral Lease	34	(6,300)	–
Receipts of loan repayment from suppliers		–	319
Transfer to long–term cash held in escrow*		–	(850)
Withdrawal of cash held in escrow*		22,402	4,633
Proceeds from sale of financial assets		–	750
Net cash outflow from investing activities		**(2,082)**	**(4,893)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of share capital (net of transaction costs)		–	30,062
Repayment of loan		(15,000)	–
Net cash inflow/(outflow) from financing activities		**(15,000)**	**30,062**
Net increase / (decrease) in cash and cash equivalents		(26,120)	(480)
Cash and cash equivalents at the beginning of the period		59,893	60,252
Effect of exchange rate changes on cash and cash equivalents		124	121
Cash and cash equivalents at end of the period	20a	**33,897**	**59,893**

The notes on pages 36 to 76 are an integral part of these consolidated financial statements

** Funds held in escrow on behalf of Alcoa of Australia Limited (Note 16(ii))*

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, 88 William Street, Perth, Western Australia. The consolidated financial statements of the Company as at, and for the year ended 31 December 2015 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 Preparation

(a) Statement of Compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB). The financial statements were approved by the Board of Directors on 21 March 2016.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Available-for-sale-financial assets are measured at fair value;
- Agricultural assets are measured at fair value; and
- Share based payments are measured at fair value.

The methods used to measure fair value are discussed further in note 4.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Australian dollars, which is each of the Group entities' functional currency. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1988 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRS 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.

Information about assumptions and estimation uncertainties in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 13 – Agricultural Assets

The fair value less costs to sell is determined by reference to the market price of livestock of similar age, weight and market destination. Net increments or decrements in the fair value of the cattle are recognised as income or expenses in the statement of profit or loss and other comprehensive income, determined as the difference between the total fair values of the cattle recognised as at the beginning of the period and the total fair values of the cattle recognised as at the reporting date.

Note 14 – Exploration and evaluation expenditure

Determining the recoverability of exploration and evaluation expenditure capitalised requires estimates and judgements as to future events and circumstances, in particular, whether successful development and commercial exploitation or sale of the respective area of interest is likely. Critical to this assessment are estimates and assumptions as to the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. If, after having capitalised the expenditure a judgement is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the income statement.

Note 15 – Oil and Gas Assets

The estimated quantities of proved and probable hydrocarbon reserves and resources reported by the group are integral to the calculation of amortisation (depletion), depreciation and assessments of possible impairments. Estimated reserves and resources quantities are based upon interpretations of geological and geophysical models and assessment of the technical feasibility and commercial viability of producing the reserves and resources. Management prepare estimates which conform to guidelines prepared by the Society of Petroleum Engineers. These assessments require assumptions to be made regarding future development and production costs, commodity prices, exchange rates and fiscal regimes. The estimates of reserves and resources may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of operations.

Note 17 – Recognition of tax losses

In accordance with the group's accounting policies for deferred taxes (refer note 3(o)), a deferred tax asset is recognised for unused tax losses only if it is probable that future taxable profits will be available to utilise those losses. Determination of future taxable profits requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. This includes estimates and judgements about oil and gas prices, reserves, exchange rates, future capital requirements, future operational performance and the timing of estimated cash flows. Changes in these estimates and assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets. The carrying amount of deferred tax assets are set out in note 17.

Note 24 – Loans and Borrowings

Loans and borrowings are initially recognised at fair value. If a loan or borrowing is not based upon market terms then it is accounted for in accordance with AASB 139 Application Guidance 64 (AG64), which states that "the fair value of an originated long-term loan or borrowing that carries no interest can be estimated as the present value of all future cash payments discounted using the market rate of interest for a similar instrument with a similar credit rating".

Note 25 – Provisions

The site restoration provision is in respect of the Group's obligation to rectify environmental liabilities relating to exploration and production in the Canning Basin in accordance with the requirements of the Department of Environmental Regulation and the Department of Mines and Petroleum. Significant estimates and assumptions are required to determine the provision for site rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the timing, extent and costs of rehabilitation activities, regulatory changes and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at balance date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the statement of financial position by adjusting the rehabilitation asset and liability.

Note 26 – Measurement of share-based payments

The fair value of share-based payment expenses is measured using the Black & Scholes valuation model that requires the use of estimates and assumptions for measurement inputs, including expected volatility of the underlying share and weighted average expected life of the instrument.

(e) Changes in Accounting Policies

The Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these consolidated financial statements.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently by Group entities to all periods presented in these consolidated financial statements.

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Joint arrangements

A joint arrangement is an arrangement over which two or more parties have joint control. Joint control exists only when decisions about the relevant activities - i.e. those that significantly affect the returns of the arrangement - require the unanimous consent of the parties sharing control of the arrangement. Buru Energy has numerous arrangements which meet this definition for its oil and gas activities in different exploration permits.

In accordance with AASB 11, the arrangements have been classified as joint operations (whereby the jointly controlling parties have rights to the assets and obligations for the liabilities relating to the arrangement) as opposed to a joint venture because separate vehicles have not been established through which activities are conducted. The Group therefore recognises its assets, liabilities and transactions, including its share of those incurred jointly, in its consolidated financial statements.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign Currency

Transactions in foreign currencies are translated to Australian Dollars at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

(c) Property, Plant and Equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group, and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative period are as follows:

• plant & equipment	10 – 30 years
• office equipment	3 – 20 years
• fixtures and fittings	6 – 20 years
• intangibles	5 years
• heritage and cultural assets	not depreciated
• pastoral leases	not depreciated

The useful life, residual value and the depreciation method applied to an asset are reassessed at least annually. Heritage and cultural assets with the potential to be maintained for an indefinite period through conservation, restoration and preservation activities are considered to have an indefinite life and not depreciated.

(d) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure in respect of each area of interest is accounted for using the successful efforts method of accounting. The successful efforts method requires all exploration and evaluation expenditure to be expensed in the period it is incurred, except the costs of successful wells and the costs of acquiring interests in new exploration assets, which are capitalised as intangible exploration and evaluation. The costs of wells are initially capitalised pending the results of the well.

An area of interest refers to an individual geological area where the presence of oil or a natural gas field is considered favourable or has been proved to exist, and in most cases will comprise an individual prospective oil or gas field.

Exploration and evaluation expenditure is recognised in relation to an area of interest when the rights to tenure of the area of interest are current and either:

a) such expenditure is expected to be recovered through successful development and commercial exploitation of the area of interest or, alternatively, by its sale; or
b) the exploration activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Where an ownership interest in an exploration and evaluation asset is exchanged for another, the transaction is recognised by reference to the carrying value of the original interest. Any cash consideration paid, including transaction costs, is accounted for as an acquisition of exploration and evaluation assets.

Any cash consideration received, net of transaction costs, is treated as a recoupment of costs previously capitalised with any excess accounted for as a gain on disposal of non-current assets.

The carrying amounts of the Group's exploration and evaluation assets are reviewed at each reporting date to determine whether any of the following indicators of impairment exists:

a) tenure over the licence area has expired during the period or will expire in the near future, and is not expected to be renewed; or
b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is not budgeted or planned; or
c) exploration for and evaluation of resources in the specific area has not led to the discovery of commercially viable quantities of resources, and the Group has decided to discontinue activities in the specific area; or
d) sufficient data exist to indicate that although a development is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or from sale.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made and any resultant impairment loss is recognised in the income statement. (Refer note 3c(i) - (ii)).

When a discovered oil or gas field enters the development phase the accumulated exploration and evaluation expenditure is transferred to oil and gas assets – assets in development.

(e) Oil and Gas Assets

Assets in development

The costs of oil and gas assets in development are separately accounted for and include past exploration and evaluation costs, development drilling and other subsurface expenditure, surface plant and equipment and any associated land and buildings.

When the committed development expenditure programs are completed and production commences, these costs are subject to amortisation. Once the required statutory documentation for a Production Licence is received the accumulated costs are transferred to oil and gas assets – producing assets.

(f) Financial Instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: cash and cash equivalents, loans and receivables and available-for-sale financial assets.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less and are used by the Group in the management of its short-term commitments.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any attributable transaction costs. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(ii) Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: trade and other payables, and loans and borrowings.

Trade and Other Payables
Trade payables are non-interest bearing and are normally settled on 30 day terms.

Unearned income includes payments received relating to revenue in subsequent years. Revenue will only be recognised when Buru Energy delivers the goods or services to the customer.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Loans and borrowings
Loans and borrowings include interest free loans which are initially recognised at fair value. The difference between fair value and cash consideration received under these loans will be recognised in the income statement as interest income.

Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. The accretion in the liabilities over the life of the loans to the ultimate maturity amount will be recognised in the income statement as interest expense.

(iii) Share capital

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(g) Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is determined as follows:

a) Materials and consumables, which include drilling and maintenance stocks, are valued at the cost of acquisition which includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition; and
b) petroleum products, comprising extracted crude oil stored in tanks and pipeline systems, are valued using the full absorption cost method.

Inventories are accounted for on a FIFO basis.

(h) Leased Assets

Leases in terms of which the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases. The leased assets are not recognised in the Group's statement of financial position.

(i) Impairment

(i) Non-derivative financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or users in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment at both a specific asset and collective level. In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into a cash-generating unit (CGU). A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Employee Benefits

(i) Long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iii) Short-term benefits

Short-term employee benefit obligations are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group. When the Company grants options over its shares to employees of subsidiaries, the fair value at grant date is recognised as an increase in the investments in subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

(k) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and that the obligation can be measured reliably. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(i) Site restoration

Provisions are made for the estimated cost of an oil and gas field's site rehabilitation, decommissioning and restoration. Provisions include reclamation, plant closure, waste site closure and monitoring activities. The amount recognised as a liability represents the estimated future costs discounted to present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Uncertainty exists as to the amount of restoration obligations which will be incurred due to the following factors:

- uncertainty as to the remaining life of existing operating sites; and
- the impact of changes in legislation.

At each reporting date the site restoration provision is re-measured to reflect any changes in discount rates and timing or amounts of the costs to be incurred. Such changes in estimates are dealt with on a prospective basis from the date of the changes and are added to, or deducted from, the related asset where it is probable that future economic benefits will flow to the entity.

(l) Revenue

Revenue from the sale of oil, gas and condensate in the course of ordinary activities is recognised in the income statement at the fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and the amount of revenue can be estimated reliably.

(m) Lease Payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease
At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset and the arrangement conveys the right to use the asset. At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(n) Finance Income and Expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), the difference between fair value and cash consideration received under interest free loans and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise unwinding of the discount on provisions and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(o) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not provided for: temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

PRRT

Petroleum Resource Rent Tax (PRRT) is considered for accounting purposes to be a tax on income. Accordingly, current and deferred PRRT expense is measured and disclosed on the same basis as income tax.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Buru Energy Limited.

(p) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(q) Segment Reporting

An operating segment is a component of Buru Energy that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of Buru Energy's other components. All operating segments' operating results are reviewed regularly by the Group's Executive Chairman and Head of Finance to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Segment results that are reported to the Executive Chairman and Head of Finance include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and head office expenses. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

(r) Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for shares held by the Group's sponsored employee share plan trust. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for shares held by the Group's sponsored employee share plan trust, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(s) Government Grants

Government grants related to assets are recognised initially as a deduction in the carrying amount of the asset when there is reasonable assurance that the grant will be received and the Group will comply with the conditions associated with the grant. The grants are then recognised in profit or loss on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

(t) Standards issued but not yet effective

A number of new standards and amendments to standards are issued for annual periods beginning after 1 January 2015 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these consolidated financial statements.

New or amended standards	Summary of the requirements	Possible impact on consolidated financial statements
IFRS 16 *Leases*	IFRS 16 removes the classification of leases as either operating lease or finance leases – for the lessee – effectively treating all leases as finance leases.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.
Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base as at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected recovery of the asset.	The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments to IAS 12.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRS 14 Regulatory Deferral Accounts;
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11);
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38);
- Equity Method in Separate Financial Statements (Amendments to IAS 27);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);
- Annual Improvements to IFRSs 2012–2014 Cycle – various standards;
- AASB 9 *Financial Instruments* (December 2014);
- AASB 15 *Revenue from Contracts with Customers;*
- Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality;
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28); and
- Disclosure Initiative (Amendments to IAS 1).

4. Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 13 – Agricultural assets;
- Note 16 – Investments;
- Note 24 – Loans and borrowings; and
- Note 26 – Share-based payment arrangements.

5. Segment Information

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. An additional segment has been added during this reporting period following the purchase of the Yakka Munga Station Pastoral Lease. For each of the strategic business units, the Group's Executive Chairman (the chief operating decision maker) and Head of Finance review internal management reports on at least a monthly basis. 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 conventional oilfield which during the period received all approvals required to commence commercial production. The currently shut in Blina and Sundown oilfields are also included in this segment. The Group's revenue from sales of crude oil is attributable to sales transactions with a single customer. The Board are confident that this particular customer is an organisation of sufficient size and has sufficient cash flows to limit the credit risk to acceptable levels.
- Gas: Exploration and appraisal of gas is currently concentrated in the Valhalla/Asgard and Yulleroo areas where gas has been intersected 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.
- Pastoral Lease: Includes the transactions and balances relating to the Yakka Munga Station Pastoral Lease and the cattle on that station.

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 segments revenues, profit or loss and assets to the consolidated figures.

Profit or loss	Oil		Gas		Exploration		Pastoral Lease		Corporate*		Total	
in thousands of AUD	**Dec 15**	**Dec 14**	**Dec 15**	**Dec 14**	**Dec 15**	**Dec 14**	**Dec 15**	**Dec 14**	**Dec 15**	**Dec 14**	**Dec 15**	**Dec 14**
External revenues	3,484	15,141	–	–	–	–	–	–	–	–	3,484	15,141
Operating costs	(5,294)	(9,716)	–	–	–	–	–	–	–	–	(5,294)	(9,716)
Amortisation of oil and gas assets	(2,198)	(1,403)	–	–	–	–	–	–	–	–	(2,198)	(1,403)
Gross Profit	**(4,008)**	**4,022**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,008)**	**4,022**
Other income	–	–	–	–	–	–	–	–	457	1,670	457	1,670
Exploration and evaluation expenditure	–	(6)	–	(3,816)	(1,639)	(9,738)	–	–	–	–	(1,639)	(13,560)
Impairment of exploration and evaluation expenditure	–	–	–	–	(29,158)	(10,183)	–	–	–	–	(29,158)	(10,183)
Impairment of inventories	–	–	–	–	(2,950)	–	–	–	–	–	(2,950)	–
Impairment of loan	–	–	–	–	–	–	–	–	–	(1,681)	–	(1,681)
Corporate and administrative expenditure, including depreciation	–	–	–	–	–	–	–	–	(6,736)	(13,281)	(6,736)	(13,281)
Profit on sale of financial assets	–	–	–	–	–	–	–	–	–	161	–	161
Share based payment expenses	–	–	–	–	–	–	–	–	(981)	(1,133)	(981)	(1,133)
Other expenditure	–	–	–	–	–	–	(519)	–	–	–	(519)	–
EBIT	**(4,008)**	**4,016**	**–**	**(3,816)**	**(33,747)**	**(19,922)**	**(519)**	**–**	**(7,260)**	**(14,263)**	**(45,534)**	**(33,985)**
Financial income	–	–	–	–	–	–	–	–	5,110	2,342	5,110	2,342
Reportable segment profit / (loss) before tax	**(4,008)**	**4,016**	**–**	**(3,816)**	**(33,747)**	**(19,922)**	**(519)**	**–**	**(2,150)**	**(11,921)**	**(40,424)**	**(31,643)**

** Corporate represents reconciliation of reportable segments to IFRS measures*

Total Assets	Oil		Gas		Exploration		Pastoral Lease		Corporate*		Total	
in thousands of AUD	Dec 15	Dec 14	Dec 15	Dec 14	Dec 15	Dec 14	Dec 15	Dec 14	Dec 15	Dec 14	Dec 15	Dec 14
Current assets	960	1,541	–	–	2,583	5,943	2,625	–	35,323	79,504	41,491	86,988
Property, plant and equipment	–	–	–	–	–	–	4,375	–	6,327	7,585	10,702	7,585
Exploration and evaluation assets	–	–	31,363	19,748	16,877	45,182	–	–	–	–	48,240	64,930
Oil and gas assets – development	24,129	14,666	–	–	–	–	–	–	–	–	24,129	14,666
Investments	–	–	–	–	–	–	–	–	105	7,311	105	7,311
Total Assets	**25,089**	**16,207**	**31,363**	**19,748**	**19,460**	**51,125**	**7,000**	**–**	**41,755**	**94,400**	**124,667**	**181,480**

** Corporate represents reconciliation of reportable segments to IFRS measures*

6. Financial Risk Management

Fair value vs carrying amounts

The carrying value of financial assets and liabilities in the statement of financial position not already measured at fair value are materially equal to their fair values.

Credit risk of trade and other receivables

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group does not require collateral in respect of trade and other receivables.

The Group does not have an allowance for impairment on trade and other receivables. To date the Group have always received full consideration for trade receivables in a timely manner and as such there is no reason to believe that this will not continue going forward. No other receivables are considered to have a material credit risk.

Financial instruments carried at fair value

Fair value measurements for financial instruments are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group's available for sale financial assets are classed as Level 1 and the Group's agricultural assets and long term interest free loan are classed at Level 2. The Group has no other financial instruments measured at fair value.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the Group's maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Note	Carrying amount	
in thousands of AUD		31 December 2015	31 December 2014
Trade and other receivables (excluding prepayments)	18	1,899	4,328
Cash and cash equivalents	20a	33,897	59,893
Available-for-sale financial assets	16	105	601
Cash held in escrow	16	–	22,077
		35,900	86,899

Trade and other receivables include accrued interest receivable from Australian accredited banks of $68,000 (31 Dec 2014: $108,000), and tax amounts receivable of $1,419,000 (31 Dec 2014: $486,000) from the Australian Taxation Office (refer to note 18).

Cash and cash equivalents

The Group held cash and cash equivalents of $33,897,000 at 31 December 2015 (31 Dec 2014: $59,893,000) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated at least AA-, based on rating agency Fitch Ratings.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. This is monitored through rolling cash flow forecasts. The Group maintains sufficient cash to safeguard liquidity risk.

The following are contractual maturities of trade and other payables (excluding provisions) and loans and borrowings:

	Carrying amount	
in thousands of AUD	31 December 2015	31 December 2014
Less than 1 year	7,655	3,713
1 – 5 years (i)	21,507	40,000
	29,162	43,713

(i) The contractual maturities reflect the interest free loan from Alcoa of Australia Limited at amortised cost using the effective interest rate method (Note 24).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The companies in the Group are exposed to currency risk on sales that are denominated in a currency other than the functional currency of the companies in the Group (AUD). All sales of crude oil are denominated in US dollars. The Group does not consider it necessary to hedge its foreign currency exposure due to the relatively low amounts of USD income/expenditure and USD cash held.

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	31 December 2015		31 December 2014	
in thousands	AUD	USD	AUD	USD
Cash and cash equivalents	514	375	514	421
Trade receivables	577	422	1,084	968
Gross balance sheet exposure	1,091	797	1,598	1,389

The average exchange rate from AUD to USD during the period was AUD 1.0000 / USD 0.7524 (Dec 2014: AUD 0.9029 / USD 1.0000). The reporting date spot rate was AUD 1.0000 / USD 0.7306 (Dec 2014: AUD 0.8202 / USD 1.000).

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the USD over the period would have increased the loss after tax for the financial period by $316,000 (Dec 2014: increased loss after tax by $1,376,454). A 10 percent weakening of the Australian dollar against the USD over the period would have decreased the loss after tax for the financial period by $348,000 (Dec 2014: decreased loss after tax by $1,682,334). This analysis assumes that all other variables remain constant.

Interest rate risk

At balance date the Group's exposure to market risk for changes in interest rates relate primarily to the Group's short term cash deposits. The interest rate risk is only applicable to interest revenue as the Group does not have any interest-bearing short or long term borrowings. The Group constantly analyses its exposure to interest rates, with consideration given to potential renewal of the terms of existing deposits. Fixed rate instruments are term deposits held for less than 3 months, therefore the fair value approximates the carrying amount.

At the reporting date the Group's interest-bearing financial instruments were as follows:

	Carrying amount	
in thousands of AUD	**31 December 2015**	**31 December 2014**
Fixed rate instruments		
Cash and cash equivalents	28,870	41,513
Cash held in escrow	–	22,077
Total fixed interest bearing financial assets	28,870	63,590

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

	Carrying amount	
in thousands of AUD	**31 December 2015**	**31 December 2014**
Variable rate instruments		
Cash and cash equivalents	5,027	18,380
Total variable interest bearing financial assets	5,027	18,380

Other market price risk

Equity price risk arises from available-for-sale equity securities held in other listed exploration companies. The Group monitors its available for sale equity instruments on a regular basis including regular monitoring of ASX listed prices and ASX releases. The Group does not enter into commodity derivative contracts.

Sensitivity analysis – equity price risk

The Group's equity investments are listed on the Australian Securities Exchange. For such investments classified as available for sale, a 10 percent increase in the value of the shares at the current and comparative reporting dates would have decreased the Group's other comprehensive loss by $10,446; an equal change in the opposite direction would have increased the Group's other comprehensive loss for the period by $10,446.

Capital management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so as to maintain future exploration and development of its projects. Capital consists of share capital of the Group. In order to maintain or adjust its capital structure, Buru Energy may in the future return capital to shareholders, issue new shares, borrow funds from financiers or sell assets. Buru Energy's focus has been to maintain sufficient funds to fund exploration and evaluation activities.

During the reporting period, Buru Energy and Alcoa agreed to terminate the Gas Sales Agreement (**GSA**) and to a staged repayment of the gas prepayment funding (see note 24). Under the revised agreement, the termination of the contract led to the withdrawal of the total escrowed cash balance of $22,400,000 (including interest) and the repayment of the gas prepayment under the following terms:

a) $15,000,000 which was paid on 4 August 2015;

b) $12,500,000 to be paid on 30 June 2017; and

c) $12,500,000 to be paid on 30 June 2018, subject to certain financial criteria being met from December 2017 (see note 24).

7. Revenue

in thousands of AUD	**31 December 2015**	**31 December 2014**
Sales of crude oil	3,484	15,141
	3,484	15,141

8. Other Income

in thousands of AUD	**31 December 2015**	**31 December 2014**
Equipment rental	103	975
Fuel tax credits	21	654
Other revenue	333	202
	457	1,831

9. Administrative Expenditure

in thousands of AUD	**31 December 2015**	**31 December 2014**
Personnel and associated expenses	3,874	9,756
Office and other administration expenses	2,862	3,525
	6,736	13,281

The above expense excludes share based payments disclosed at note 26.

10. Finance Income and Expenses

in thousands of AUD	**31 December 2015**	**31 December 2014**
Interest income on bank deposits	1,494	2,221
Net foreign exchange gain / (loss)	123	121
Interest income on recognition of borrowings at fair value	3,493	–
Net finance income recognised in profit or loss	5,110	2,342

11. Income Tax Expense

in thousands of AUD	31 December 2015	31 December 2014
Current income tax		
Current income tax charge	–	–
Adjustments in respect of previous current income tax	–	–
	–	–
Deferred income tax		
Deferred tax recognised on movement in financial asset revaluation reserve	(149)	–
Benefit relating to origination and reversal of temporary differences	-	–
	(149)	–
Total income tax expense / (benefit) reported in equity	(149)	–
Numerical reconciliation between tax expense and pre–tax accounting profit		
Accounting loss before tax	(40,424)	(31,643)
Income tax benefit using the domestic corporation tax rate of 30%	12,127	9,493
Increase in income tax due to:		
– Non–deductible expenses	(305)	(917)
– Non–assessable income	–	49
– Deferred tax recognised on movement in financial asset revaluation reserve	–	–
– Temporary differences and tax losses not brought to account as a DTA	(11,822)	(8,625)
Income tax benefit / (expense) on pre–tax loss	–	–

Tax recognised directly in equity

	12 months ended 31 December 2015			12 months ended 31 December 2014		
in thousands of AUD	Before Tax	Tax (Expense) Benefit	Net of Tax	Before Tax	Tax (Expense) Benefit	Net of Tax
Financial Assets	496	149	347	–	–	–

Tax consolidation

The company and its 100% owned entities have formed a tax consolidated group. Members of the consolidated entity have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned controlled entities on a pro-rata basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote.

Tax effect accounting by members of the Consolidated Group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. Deferred taxes are allocated to members of the tax consolidated group in accordance with a group allocation approach which is consistent with the principles of AASB 112 Income Taxes. The allocation of taxes under the tax funding agreement are recognised as an increase/decrease in the controlled entities intercompany accounts with the tax consolidated group head entity, Buru Energy. In this regard, Buru Energy has assumed the benefit of tax losses from the member entities. The nature of the tax funding agreement is such that no tax consolidation contributions by or distributions to equity participants are required.

12. Property, Plant and Equipment

in thousands of AUD	Plant and equipment	Pastoral Leases	Office equipment	Fixtures and fittings	Heritage and cultural assets	Intangible Assets	Total
Cost or deemed cost							
Carrying amount at 1 January 2014	4,925	–	1,294	1,781	877	863	9,740
Additions	574	–	340	20	–	34	968
Disposals	–	–	(10)	(1)	–	–	(11)
Transfers	–	–	–	–	–	–	–
Balance at 31 December 2014	5,499	–	1,624	1,800	877	897	10,697
Carrying amount at 1 January 2015	5,499	–	1,624	1,800	877	897	10,697
Additions	68	4,375	10	–	–	–	4,453
Disposals	–	–	(6)	(1)	–	–	(7)
Balance at 31 December 2015	5,567	4,375	1,628	1,799	877	897	15,144
Depreciation							
Carrying amount at 1 January 2014	(691)	–	(620)	(311)	–	(144)	(1,766)
Depreciation for the period	(495)	–	(370)	(307)	–	(179)	(1,350)
Disposal	–	–	5	–	–	–	5
Balance at 31 December 2014	(1,186)	–	(985)	(618)	–	(323)	(3,111)
Carrying amount at 1 January 2015	(1,186)	–	(985)	(618)	–	(323)	(3,111)
Depreciation for the period	(494)	–	(351)	(308)	–	(181)	(1,335)
Disposal	–	–	5	–	–	–	5
Balance at 31 December 2015	(1,680)	–	(1,331)	(926)	–	(504)	(4,441)
Carrying amounts							
At 31 December 2013	4,234	–	674	1,470	877	719	7,974
At 31 December 2014	4,313	–	639	1,182	877	574	7,585
At 31 December 2015	3,887	4,375	297	873	877	393	10,702

13. Agricultural Assets

in thousands of AUD	**31 December 2015**	**31 December 2014**
Carrying amount at beginning of the period	–	–
Agricultural assets purchased during the period	2,625	–
Sales during the period	(1,105)	–
Movement in fair value	1,105	–
Carrying amount at the end of the period	2,625	–

As at 31 December 2015, agricultural assets comprised of 5,297 cattle (December 2014: Nil). During the period 2,423 cattle were sold (December 2014: Nil). The fair value measurements for the agricultural assets have been categorised as Level 2 fair values based on the valuation techniques used. The fair values are based on the market price of cattle of similar age, weight and market values.

14. Exploration and Evaluation Expenditure Capitalised

in thousands of AUD	**31 December 2015**	**31 December 2014**
Carrying amount at beginning of the period	64,930	64,618
Exploration expenditure capitalised	23,977	11,161
Transferred to development expenditure	(9,290)	–
Exploration expenditure written off during the period	(29,158)	(10,183)
Research and development tax concession	(2,219)	(666)
Carrying amount at the end of the period	48,240	64,930

Exploration and evaluation expenditure in respect of each area of interest is accounted for using the successful efforts method of accounting. The successful efforts method requires all exploration and evaluation expenditure to be expensed in the period it is incurred, except the costs of successful wells and the costs of acquiring interests in new exploration assets, which are capitalised as intangible exploration and evaluation. The costs of wells are initially capitalised pending the results of the well.

Based on a review of exploration and evaluation expenditure capitalised to each area of interest, $29,158,000 of exploration and evaluation expenditure has been written off in the current reporting period in relation to areas where no further exploration or evaluation of hydrocarbon resources are currently budgeted or planned.

15. Oil and Gas Assets

in thousands of AUD **Assets in Development**	**31 December 2015**	**31 December 2014**
Carrying amount at beginning of the period	14,666	11,922
Expenditure incurred	2,371	4,147
Transferred from exploration expenditure	9,290	–
Amortisation expensed	(2,198)	(1,403)
Carrying amount at the end of the period	24,129	14,666

16. Investments

in thousands of AUD **Current**	**31 December 2015**	**31 December 2014**
Cash held in escrow (ii)	–	15,367
	–	15,367

Non-Current	**31 December 2015**	**31 December 2014**
Available-for-sale financial assets (i)	105	601
Cash held in escrow (ii)	–	6,710
	105	7,311

(i) Investments

The Group's available-for-sale financial assets are categorised as Level 1 within the fair value hierarchy (refer note 4) and are measured at fair value based on quoted market prices at the reporting date, without any deduction for transaction costs. There were no transfers between levels during the period.

(ii) The Alcoa Gas Supply Agreement (GSA) was restructured during the year with the full $22,400,000 (including interest) released from escrow on 4 August 2015 and repayment of the first tranche of $15,000,000 paid in August 2015 (refer to Note 24 for further details).

17. Tax Assets and Liabilities

Unrecognised net deferred tax assets

Net deferred tax assets have not been recognised in respect of the following items.

in thousands of AUD **Deferred tax assets**	**31 December 2015**	**31 December 2014**	**Net Movement**
Business related costs	586	797	(211)
Capital loss on bad debts	526	526	–
Accruals	62	107	(45)
Provisions	1,643	2,340	(697)
Development expenditure	1,453	794	659
Traditional owner access payments	997	–	997
Livestock	885	–	885
Tax losses	45,406	40,452	4,954
PRRT	82,038	45,925	36,113
Other	77	4	73
	133,673	90,945	42,728
Deferred tax liabilities			
Exploration expenditure	(14,472)	(19,479)	5,007
Property, plant and equipment	(1,192)	(1,695)	503
Investments in listed entities	(51)	(200)	149
Other	(49)	(30)	(19)
	(15,764)	(21,404)	5,640
Net deferred tax assets not brought to account	117,909	69,541	48,368

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

18. Trade and Other Receivables

in thousands of AUD	31 December 2015	31 December 2014
Trade receivables	599	1,084
Interest receivable	68	108
Joint venture receivables	(330)	2,644
Prepayments	104	1,000
GST receivable	1,419	486
Other receivables	143	6
	2,003	5,328

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 6.

19. Inventories

in thousands of AUD	31 December 2015	31 December 2014
Materials and consumables – at net realisable value	2,583	5,943
Petroleum products – at cost	383	457
	2,966	6,400

During the year, the Group tested its materials and consumables inventories for impairment and wrote down inventories to their net realisable value, which resulted in a loss of $2,950,000.

20. (a) Cash and Cash Equivalents

in thousands of AUD	31 December 2015	31 December 2014
Bank balances	5,027	18,380
Term deposits maturing within 3 months	28,870	41,513
Cash and cash equivalents in the statement of cash flows	33,897	59,893

The Group's exposure to interest rate risk and sensitivity analysis for financial assets is disclosed in note 6.

(b) Reconciliation of Cash Flows from Operating Activities

in thousands of AUD	Note	31 December 2015	31 December 2014
Cash flows from operating activities			
Loss for the period		(40,424)	(31,643)
Adjustments for:			
Income tax expense	11	–	–
Depreciation	12	1,335	1,350
Impairment losses on exploration expenditure	14	29,158	10,183
Amortisation on development expenditure	15	2,198	1,403
Impairment on inventories	19	2,950	–
Profit from sale of available-for-sale-financial assets		–	(162)
Share based payment expenses	26	981	1,133
Impairment of loan to suppliers		–	1,681
Net finance income	10	(5,110)	(2,342)
Operating loss before changes in working capital and provisions		(8,912)	(15,303)
Changes in working capital, net of acquisitions			
Change in trade and other receivables		787	(1,574)
Change in trade and other payables		1,459	(4,949)
Change in inventories		138	(676)
Change in provisions		(2,510)	(54)
Cash received from / (used in) operating activities		(126)	(7,252)
Net cash outflow from operating activities		(9,038)	(25,649)

21. Capital and Reserves

Share capital

	Ordinary Shares	
	31 December 2015	**31 December 2014**
	No.	**No.**
On issue at the beginning of the period	339,997,078	298,505,530
Issued under Institutional Placement on 26 September 2014	–	37,504,998
Issued under Share Purchase Plan on 24 October 2014	–	3,986,550
On issue at the end of the period – fully paid	339,997,078	339,997,078

The Company has also issued share options (see note 26). The Company does not have authorised capital or par value in respect of its issued shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Share-based Payments Reserve

The share-based payments reserve represents the fair value of equity-based compensation to the Group's Directors and employees.

Financial Asset Revaluation Reserve

The Financial Asset Revaluation Reserve relates to the revaluation of the Group's available for sale financial assets.

22. Loss Per Share

Basic loss per share

in thousands of AUD	31 December 2015	31 December 2014
Loss attributable to ordinary shareholders	40,424	31,643

Weighted average number of ordinary shares

	31 December 2015 No.	31 December 2014 No.
Issued ordinary shares at beginning of the period	339,997,078	298,505,530
Effect of shares issued	-	10,607,028
Weighted average number of ordinary shares at the end of the period	339,997,078	309,112,558

Diluted earnings per share

The Company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion of these options would result in a decrease in the net loss per share.

23. Trade and Other Payables

in thousands of AUD	31 December 2015	31 December 2014
Trade payables	1,011	1,194
Non-trade payables and accrued expenses	6,644	2,519
Unearned income	–	40,000
	7,655	43,713

in thousands of AUD	31 December 2015	31 December 2014
Current	7,655	3,713
Non-current	–	40,000
	7,655	43,713

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 6.

24. Loans and Borrowings

in thousands of AUD **Non-current**	**31 December 2015**	**31 December 2014**
Borrowings at beginning of the period	–	–
Recognition of Alcoa GSA as borrowings	40,000	–
Net interest income on recognition of Alcoa GSA borrowings at fair value	(3,493)	–
Repayment to Alcoa on 4 August 2015	(15,000)	–
Loan at the end of the period	21,507	–

The Group's exposure to currency and liquidity risk related to loans and borrowings is disclosed in note 6.

During the reporting period, Buru Energy and Alcoa agreed to terminate the Gas Sales Agreement (**GSA**) and to a staged repayment of the gas prepayment funding. Under the revised agreement, the termination of the contract led to the withdrawal of the total escrowed cash balance of $22,400,000 (including interest) and the repayment of the gas prepayment under the following terms:

a) $15,000,000 which was paid on 4 August 2015;
b) $12,500,000 to be paid on 30 June 2017; and
c) $12,500,000 to be paid on 30 June 2018, subject to financial criteria being met from 31 December 2017.

The financial criteria in relation to extensions of the final payment of $12,500,000 from 31 December 2017 through to 30 June 2018 is that Buru Energy has at least $15,000,000 in cash throughout that period.

The revised agreement resulted in the liability, which had previously been recognised as a gas prepayment, being recognised as borrowings. The amount therefore was required to be initially recognised at its fair value. The fair value of the borrowing is estimated as the present value of all future cash payments discounted using the market rate of interest for a similar instrument with a similar credit rating. The difference between fair value and cash consideration to be repaid under the borrowings is recognised in the income statement as interest income. The borrowings are interest free and unsecured.

The borrowings are measured at the end of the period at amortised cost using the effective interest method. The amortised cost during the life of the loan is the sum of the initial fair value of the loan and the unwinding of the fair value difference.

The remaining amount to be repaid at the end of the reporting period is $25,000,000. The borrowings were initially fair valued using an interest rate of 8.25% and the repayment dates above. The fair value of borrowings at period end approximates its carrying value of $21,507,000.

25. Provisions

in thousands of AUD	**31 December 2015**	**31 December 2014**
Current		
Provision for annual leave	528	494
Provision for site restoration (i)	859	714
	1,387	1,208
Non-Current		
Provision for long-service leave	185	128
Provision for site restoration (i)	3,906	6,465
	4,091	6,593

(i) Site restoration provision

in thousands of AUD	**31 December 2015**	**31 December 2014**
Opening balance	7,179	7,179
Provision used during the period	(408)	–
Revaluation of provision during the period	(2,006)	–
Balance at the end of the period	4,765	7,179

The site restoration provision is in respect of the Group's obligation to rectify environmental liabilities relating to exploration and production in the Canning Basin in accordance with the requirements of the DER and the DMP. The provision is derived from an internal review of the liabilities. Due to the long-term nature of the liability, there is significant uncertainty in estimating the costs that will be incurred at a future date. A significant level of rehabilitation was undertaken during the period, and the rehabilitation is expected to continue to occur progressively.

26. Share-based Payments

Fair value expensed in thousands of AUD	**31 December 2015**	**31 December 2014**
Share Appreciation Rights expense	119	250
Employee Share Option Plan expense	862	883
	981	1,133

The fair value of Share Appreciation Rights and options granted under the Employee Share Option Plan are measured using the Black & Scholes valuation model. Measurement inputs include share price on a measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information) weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Share Appreciation Rights (SARs)
No share appreciation rights were issued or exercised during the current reporting period. Each SAR represents a right to an award equivalent to the positive difference between the notional share price set at the date of grant and the share price at the date of exercise, subject to satisfaction of any vesting conditions and exercise conditions. At the Board's discretion, the award may be settled in ordinary shares of an equivalent value or as a cash payment. It is the Board's intention to preserve cash and settle the award in ordinary shares. The SARs lapse at the earlier of the expiry date and the date of cessation of employment.

The movement during the reporting period in the number of share appreciation rights is as follows:

	Number of SARS
SARs on issue as at 1 January 2015	3,486,547
Forfeited during the period ended 31 December 2015	(1,265,334)
Outstanding as at 31 December 2015	2,221,213

The vesting profile of the SARs outstanding as at 31 December 2015 are as follows:

	Number of SARS
Vested and exercisable as at 31 December 2015	750,000
Vesting 31 October 2016	1,471,213
Outstanding as at 31 December 2015	2,221,213

Employee Share Option Plan (ESOP)

At the 2015 Annual General Meeting, shareholders reapproved the Company's ESOP for a further three years. Options are issued for no consideration and vest immediately on grant date. All options refer to options over ordinary shares of Buru Energy Limited which are exercisable on a one for one basis. The inputs used in the measurement of the fair values at grant date of the equity settled share based payment plans were as follows:

Number ESOP options granted	Share Price at Grant Date	Exercise Price	Volatility	Expected Dividends	Risk free interest rate	Expiry Date	Fair Value
5,150,000	$0.55	$0.80	65%	Nil	2.0%	31 Dec 17	$0.17

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price ($)	Number of options
Outstanding unlisted options as at 1 January 2015	1.12	6,400,000
Granted 26 May 2015	0.80	5,150,000
Forfeited during the period ended 31 December 2015	0.80	(100,000)
Forfeited during the period ended 31 December 2015	1.12	(1,150,000)
Outstanding as at 31 December 2015	0.96	10,300,000

The unlisted share options outstanding as at 31 December 2015 have a weighted average exercise price of $0.96 (December 2014: $1.12), and a weighted average contractual life of 1.5 years (December 2014: 2.0 years). All options outstanding fully vested in previous reporting periods.

27. Group Entities

Parent entity	Country of incorporation	Ownership interest	Ownership interest
Buru Energy Limited [(i)]	Australia		
Subsidiaries		**31 December 2015**	**31 December 2014**
Terratek Drilling Tools Pty Limited	Australia	100%	100%
Royalty Holding Company Pty Limited	Australia	100%	100%
Buru Energy (Acacia) Pty Limited	Australia	100%	100%
Buru Operations Pty Limited	Australia	100%	100%
Yakka Munga Pastoral Company Pty Limited	Australia	100%	100%
Buru Fitzroy Pty Limited	Australia	100%	100%

[(i)] Buru Energy Limited is the head entity of the tax consolidated group. All subsidiaries are members of the tax consolidated group.

28. Parent Entity Disclosures

As at, and throughout the year ended 31 December 2015 the parent company of the Group was Buru Energy Limited.

	Company	
in thousands of AUD	**12 months ended 31 December 2015**	**12 months ended 31 December 2014**
Result of the parent entity		
Loss for the period	(51,213)	(25,238)
Other comprehensive income / (expense)	(496)	(978)
Total comprehensive loss for the period	(51,709)	(26,216)
Financial position of the parent entity at year end		
Current assets	41,491	88,912
Total assets	124,667	192,271
Current liabilities	9,042	4,921
Total liabilities	34,640	51,514
Total equity of the parent entity at year end		
Share capital	258,211	258,211
Reserves	2,626	2,316
Retained earnings	(170,810)	(119,770)
Total equity	90,027	140,757

29. Joint Operations

The consolidated entity has an interest in the following joint operations as at 31 December 2015 whose principal activities were oil and gas exploration, development and production.

Permit/Joint Operation	December 2015 Beneficial Interest	December 2014 Beneficial Interest	Operator	Country
L20	50.00%	–	Buru Energy Ltd	Australia
L21	50.00%	–	Buru Energy Ltd	Australia
EP 371	50.00%	50.00%	Buru Energy Ltd	Australia
EP 390*	50.00%	25.00%	Buru Energy Ltd	Australia
EP 391	50.00%	50.00%	Buru Energy Ltd	Australia
EP 428	50.00%	50.00%	Buru Energy Ltd	Australia
EP 431	50.00%	50.00%	Buru Energy Ltd	Australia
EP 436	50.00%	50.00%	Buru Energy Ltd	Australia
EP 438*	50.00%	25.00%	Buru Energy Ltd	Australia
EP 457	37.50%	37.50%	Buru Fitzroy Pty Ltd	Australia
EP 458	37.50%	37.50%	Buru Fitzroy Pty Ltd	Australia
EP 471*	50.00%	25.00%	Buru Energy Ltd	Australia
EP 472*	50.00%	50.00%	Buru Energy (Acacia) Pty Ltd	Australia
EP 473*	50.00%	25.00%	Buru Energy Ltd	Australia
EP 476*	50.00%	50.00%	Buru Energy Ltd	Australia
EP 477*	50.00%	50.00%	Buru Energy (Acacia) Pty Ltd	Australia
EP 478*	100.00%	100.00%	Buru Energy (Acacia) Pty Ltd	Australia

** Application has been made to the DMP for the relinquishment of these permits.*

The Group's interests in assets/liabilities and income/expenditure employed in the above joint operations are detailed below. The amounts are included in the financial statements under their respective asset categories.

in thousands of AUD	**31 December 2015**	**31 December 2014**
Income	2	2
Expenditure	(9,300)	(32,449)
	(9,298)	**(32,447)**
Current assets		
Cash and cash equivalents	–	1
Trade and other receivables	772	248
Inventories	531	483
Total current assets	**1,303**	**732**
Non-current assets		
Exploration expenditure	48,240	50,652
Oil and gas assets	24,129	16,107
Total non-current assets	**72,369**	**66,759**
Current liabilities		
Trade and other payables	4,883	3,809
Total current liabilities	**4,883**	**3,809**
Share of net assets of joint venture operations	**68,789**	**63,681**

30. Operating Leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

in thousands of AUD	**31 December 2015**	**31 December 2014**
Less than one year	1,198	1,208
Between one and five years	956	2,154
	2,154	3,362

The Group leases a corporate office in Perth and an office/warehouse facility in Broome. The leases expire in October 2017 and November 2016 respectively. Both have options to renew the lease after the expiry dates.

The Group also maintains operating leases for production vehicles and accommodation for employees required to travel for work purposes.

The total operating lease amount recognised as an expense during the period was $1,398,000 (31 December 2014: $1,435,000).

31. Capital and Other Commitments

in thousands of AUD	31 December 2015	31 December 2014
Exploration expenditure commitments		
Contracted but not yet provided for and payable:		
Within one year	13,994	14,125
One year later and no later than five years	25,575	36,131
	39,569	50,256

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 & Petroleum (DMP). These obligations may be varied from time to time, subject to approval by the DMP.

32. Contingencies

There were no material contingent liabilities or contingent assets for the Group as at 31 December 2015 (31 December 2014: nil).

33. Related Parties

Key management personnel compensation
The key management personnel compensation comprised:

in AUD	31 December 2015	31 December 2014
Short-term employee benefits	1,971,064	3,958,036
Post-employment benefits	190,735	372,816
Termination benefits	183,333	1,404,586
Share-based payments	218,922	469,839
	2,564,054	6,205,275

Individual Directors and executives compensation disclosures
Information regarding individual Directors and executives compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the Remuneration Report section of the Directors' report on pages 24 to 30.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at the end of the period.

Other related party transactions
No other related party transaction has occurred during the reporting period.

34. Acquisition of Yakka Munga Pastoral Lease – Business Combination

On 16 January 2015, Buru Energy acquired the Yakka Munga Station Pastoral Lease. The total cash consideration provided was $7,000,000. The acquisition of the Yakka Munga Station Pastoral Lease had the following effect on the Group's assets and liabilities on acquisition date:

in thousands of AUD	**Recognised values on acquisition**
Agricultural Assets (Cattle livestock)	2,625
Property, Plant and Equipment (Pastoral Lease)	4,375
Net identifiable assets and liabilities	7,000
Total cash consideration	7,000
Cash acquired	–
Deposit paid in prior reporting period	(700)
Net cash outflow	6,300

The valuation techniques used for measuring the fair value of property, plant and equipment consider quoted market prices for similar items when they are available. The valuation techniques used for agricultural assets are described at Note 13.

During the year, the result of the net operating activities at the Yakka Munga Station Pastoral Lease was:

in thousands of AUD	
Pastoral lease income	1,106
Pastoral lease expenditure	(1,625)
Net loss from Pastoral lease	(519)

35. Subsequent Events

On 20 January 2016, Buru Energy announced that Buru Energy's wholly owned subsidiary has entered an agreement to sell the Yakka Munga Pastoral Lease with Shanghai Zenith (Australia) Investment Holding Pty Ltd for a sum of $8.75 million. The transaction is expected to be completed in the first half of 2016, subject to various conditions including government approvals, due diligence and a condition that the parties enter into an agreement regarding Buru Energy's ongoing access to the pastoral lease area for petroleum activities.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature which in the opinion of the Directors of the Group, has significantly affected or is likely to affect the results or operations of the Group in future financial years.

36. Auditors' Remuneration

	31 December 2015	31 December 2014
Audit services		
KPMG Australia: Audit and review of financial reports	69,600	69,000
KPMG Australia: Audit of Joint Venture reports	28,000	18,425

All amounts payable to the Auditors of the Company were paid or payable by the parent entity.

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

(a) the consolidated financial statements and notes that are contained on pages 32 to 76 and the Remuneration report in the Directors' report, set out on pages 24 to 30, are in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance, for the financial period ended on that date; and

(ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

2 The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Executive Chairman and Head of Finance, for the year ended 31 December 2015.

3 The Directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Mr Eric Streitberg
Executive Chairman
Perth
21 March 2016

Mr Robert Willes
Non-executive Director
Perth
21 March 2016

KPMG

Independent auditor's report to the members of Buru Energy Limited

Report on the financial report

We have audited the accompanying financial report of Buru Energy Limited (the company), which comprises the statement of financial position as at 31 December 2015, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 36 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

KPMG

Auditor's opinion

In our opinion:

(a) The financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) The financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of Buru Energy Limited for the year ended 31 December 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

G-T Hogg

Graham Hogg
Partner

Perth

21 March 2016

The ASX Listing Rules require listed entities to disclose the extent to which they have followed the Corporate Governance Principles and Recommendations set by the ASX Corporate Governance Council during the reporting period. This corporate governance statement summarises the Company's corporate governance practices that have been in place during the year taking into consideration the corporate governance principles relevant to a company of Buru Energy's nature and size.

The 3rd edition of the ASX Corporate Governance Principles and Recommendations was introduced on 27 March 2014 and took effect for a listed entity's first full financial year ending on or after 1 July 2014. Accordingly this Corporate Governance Statement has been prepared on the basis of disclosure under the 3rd Edition of these principles, detailing the Company's compliance with these principles during the financial year ended 31 December 2015 on an "if not, why not" basis.

This Corporate Governance statement can be viewed in the corporate governance section of the Company's website: www.buruenergy.com.

ASX Principle 1 – Lay solid foundations for management and oversight

Role of the Board

The respective roles and responsibilities of both the Board and management are set out in the Board Charter which can be viewed in the corporate governance section of the Company's website.

The Board is collectively responsible for the governance of the Company and for promoting its success. The Board's primary purpose is to govern the Company on behalf of all shareholders. The Board's specific job outputs are to maintain a link between the Company's shareholders and its operations and to create and maintain governance policies that address the broadest levels of all decisions and situations. The Board retains the responsibility for setting the Company's strategic direction and objectives and for setting limitations on the means by which management may achieve those objectives. Limitations on management are primarily imposed by approved corporate strategy and expenditure limits. The Board delegates to management the responsibility for developing the capability to achieve Buru Energy's aims and objectives and employing that capability within the limitations set by the Board. The Board monitors and maintains this delegation by requiring regular reporting by management to the Board.

The mandate to lead Buru Energy is placed by shareholders in the hands of the entire Board. The principles endorsed by the Board are as follows:

- no person within Buru Energy, whether a Board member or a member of management, can have any authority unless the Board grants that authority;
- all Board members are accountable individually and as a whole for any lapses of performance or behaviour by Buru Energy; and
- the Board possesses authority only as a group, the Chairman and individual Directors have no power unless specifically given it by the Board collectively.

A Director or other officer of Buru Energy who makes a business judgment will have met the requirements as a Director of Buru Energy and their equivalent duties at common law and in equity, if they:

- make the judgment in good faith for a proper purpose;
- do not have a material personal interest in the subject matter of the judgment;
- inform themselves about the subject matter of the judgment to the extent they reasonably believe to be appropriate; and
- rationally believe that the judgment is in the best interests of Buru Energy.

The Director's or officer's belief that the judgment is in the best interests of Buru Energy is a rational one unless the belief is one that no reasonable person in their position would hold.

To assist in the execution of its responsibilities, the Board has established an Audit and Risk Committee and a Remuneration and Nomination Committee. Further details on both Committees are included in this Corporate Governance Statement.

Delegation to management

The Board delegates a portion of its authority through management limitations, policies and holding the Executive Chairman accountable. It also recognises in its policies, strategic direction and setting of objectives for management, its accountability to legal and ethical obligations and its broader responsibility to non-equity stakeholders and the community. Senior executives are responsible for supporting the Executive Chairman and assisting him with the management of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds to the Executive Chairman.

Election of directors

The Remuneration and Nomination Committee oversees the appointment and induction process for Directors and Committee Members, and the selection, appointment and succession planning processes for the Company's Executive Chairman, executives and senior management. The Committee makes recommendations to the Board on the appropriate skill mix, personal qualities, expertise and diversity of each position. When a Board vacancy exists or there is a need for particular skills, the Committee in consultation with the Board determines the selection criteria based on the skills deemed necessary. The Committee identifies potential Board candidates with advice from external consultants when necessary. The Board then appoints the most suitable candidate. Board candidates appointed through this process must stand for election at the next general meeting of shareholders following their appointment.

All relevant information is to be provided in the Notice of Meeting seeking the election or re-election of a director including:

- biographical details including qualifications and experience;
- other directorships and material interests;
- term of office;
- statement by the board on independence of the director;
- statement by the board as to whether it supports the election or re-election; and
- any other material information.

Terms of appointment

To facilitate a clear understanding of roles and responsibilities, all non-executive directors have a signed letter of appointment. This letter of appointment letter includes acknowledgement of:

- director responsibilities under the Corporations Act, Listing Rules, the Company's Constitution and other applicable laws;
- corporate governance processes and Company policies;
- board and board committee meeting obligations;
- conflicts and confidentiality procedures;
- securities trading and required disclosures;
- access to independent advice and employees;
- confidentiality obligations;
- directors fees;
- expenses reimbursement;
- directors and officers insurance arrangements;
- other directorships and time commitments; and
- board performance review and succession.

The Executive Chairman and senior executives have signed executive services agreements. For further information refer to the Remuneration Report.

Role of Company Secretary

The Company Secretary is accountable to the Board for:

- advising the Board and committees on corporate governance matters;
- the completion and distribution of board and committee papers;
- completion of board and committee minutes; and
- the facilitation of director induction processes and ongoing professional development of directors.

All directors have access to the Company Secretary who has a direct reporting line to the Chairman.

Diversity

The Board is committed to having an appropriate level of diversity on the Board and in all areas of the Group's business. The Board has established a policy regarding gender, age, ethnic and cultural diversity. Details of the policy are available on the Company's website.

The key elements of the Group's diversity policy are as follows:

- disclose the Group's commitment to attracting and retaining a diverse range of talented people to work in all levels of its business, from entry positions to Board members;
- annual assessment of gender diversity on the Board and in all areas of the Group's business and reporting against the gender diversity objectives approved by the Board.

Due to workforce numbers, Buru Energy is not a 'relevant employer' under the Workplace Agenda Equality Act. The Group's gender diversity as at the end of the reporting period was as follows:

Period	31 December 2015				31 December 2014			
Gender	Males		Females		Males		Females	
Level	Number	%	Number	%	Number	%	Number	%
Directors	2	67	1	33	3	75	1	25
Senior Executives	4	100	–	–	5	100	–	–
All Other Employees	31	78	9	22	35	78	10	22
TOTAL	37	78	10	22	43	80	11	20

During the year ended 31 December 2015, the outcomes of the Company's diversity objectives were as follows:

Diversity Objective	Outcome
Continue to grow and develop our Aboriginal workforce	Achieved. The Company significantly grew its Aboriginal workforce during 2015. Most of this was associated with the successful completion of the TGS program on and near Noonkanbah station. More than 13,500 hours of paid employment was provided to 33 aboriginal workers during the program. The Company continues to support training initiatives with the Kimberley Training Institute (KTI) with 32 tickets awarded to Noonkanbah community members during 2015.
Continue to increase our partnering with local Kimberley Aboriginal businesses to provide services	Achieved. Work during the 2015 TGS program was undertaken under fee for service arrangements with the local aboriginal community. This supported the establishment of indigenous businesses and allowed them to develop the experience and expertise required to manage small businesses. Buru Energy have also identified a number of local aboriginal businesses that provide ongoing services to the Company in the areas of heritage surveys, cultural inductions, civil works & earthmoving, site security, site hands, environmental monitoring, fencing, transport and logistics.
Implement a mentoring program for women	Due to continuing organisational restructuring during the year, the Company did not meet this objective.

The Board has set the following diversity objectives for 2016:

- Continue to grow and develop the Company's Aboriginal workforce
- Continue to increase partnering with local Kimberley Aboriginal businesses to provide services

Performance review

Approximately every three years, or more frequently if appropriate, the Remuneration and Nomination Committee will undertake an evaluation of the performance of the Board, its Committees, individual Directors, and senior executives. The other Directors have an opportunity to contribute to the review process. The reviews generate recommendations to the Board, which votes on them. The Committee's nomination of existing Directors for reappointment is not automatic and depends on, amongst other things, the outcome of the review process. The Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the executive officers and Directors of the Company and of other Group executives for the Group. It is also responsible for short and long term incentive performance packages, superannuation entitlements and retirement and termination entitlements.

During the 2015 year there were no formal performance reviews undertaken and as a result of the current difficult global oil price and share market conditions, no Director or executive received an increase in remuneration.

Board Meetings

Full Board meetings are conducted in accordance with the Company's constitution at least nine times a year, but generally monthly, at venues, dates and times agreed, where practical, in advance. In accordance with the constitution, the quorum for a meeting is two Directors.

The agenda for each Board meeting is developed by the Company Secretary in consultation with the Executive Chairman. Board papers are distributed to Directors at least three business days before the meeting, unless the meeting has been called urgently. Board papers contain the information required for the Directors to make informed decisions in the efficient discharge of their responsibilities. The minutes of Board meetings are circulated, approved and signed by the Chairman within fourteen days of the date of the meeting.

Urgent matters that cannot wait until the next scheduled Board meeting and for which an impromptu Board meeting cannot be arranged are dealt with by a circular resolution in accordance with Buru Energy's Constitution (Article 11.22). Circular resolutions are normally preceded by telephone or email correspondence if practical, and are approved by the Executive Chairman before being circulated. The resolution is passed when it is signed by the last of the Directors. Signed circular resolutions are entered into the minute book. The Board meets informally as required to discuss matters and to ensure members are fully informed of the Company's operations. Directors are also provided with a weekly report setting out material matters that have occurred.

Independent professional advice and access to company information

Each Director has the right to access all relevant Company information and to speak to and have access to management. Subject to prior consultation with and approval by the Chairman, each Director may seek independent professional advice in respect of the Company and the Board's affairs from a suitably qualified adviser at the Group's expense. A copy of the advice received by a Director in these circumstances will, subject to the Chairman's discretion, be made available to all other members of the Board. No Director sought such advice during the year.

ASX Principle 2 – Structure the board to add value

Composition of the Board & Director Independence

The names of the Directors of the Company in office at the date of this statement, and information regarding Director's independence, experience and length of service, is set out in the Directors' Report.

The composition of the Board is determined using the following principles:

- a minimum of three and no more than eight Directors, with extensive knowledge relevant to the conduct of the Company's business;
- a majority of independent Non-executive Directors;
- a Non-executive Independent Director as Chairman (however this is not currently complied with as set out below); and
- all Directors are subject to re-election every three years, except for the Managing Director (currently the functional role of the Executive Chairman).

The Board should, collectively, have the appropriate level of personal qualities, skills, experience and time commitment to properly fulfil its responsibilities or have ready access to such skills where they are not available.

The Board considers the mix of skills and the diversity of Board members when assessing the composition of the Board. The Board assesses existing and potential Directors' skills to ensure they have appropriate capabilities, experiences, skills and ability to add value to the Company's business as a whole. The composition of the Board is also assessed having regard to the Company's Diversity Policy, which is designed to promote and achieve diversity at all levels of Buru Energy's business, including the Board. A detailed skills matrix of the Board for a company of Buru Energy's size and natures is not considered necessary. The Board assesses the independence of each Director annually in light of the interests declared by them. Directors will be considered independent if they meet the definition of an 'Independent Director' in accordance with the ASX Corporate Governance Council Corporate Governance Principles and Recommendations.

Mr Eric Streitberg is a major shareholder of the Company and undertakes full time executive duties with the Company. Consequently his role as the Executive Chairman of the Company does not comply with ASX Recommendation 2.5 which states that the Chairman of the Board should be an Independent Director. This has been the arrangement following the restructure of the Buru Energy Board in 2014. The Company anticipates appointing a further Independent Director as it continues to restructure the Board and the plan is for the Chairman role to be undertaken by an Independent Director at an appropriate time.

Nomination Committee

The Company has a combined Nomination Committee and Remuneration Committee. The composition of the Remuneration and Nomination Committee is a minimum of three members, the majority of whom are independent Non-executive Directors. The members of the Remuneration and Nomination Committee during the period were:

- Ms Eve Howell – Chairperson, Independent Non-executive
- Mr Robert Willes – Independent Non-executive
- Mr Eric Streitberg
- The Hon. Peter Jones AM – Independent Non-executive (resigned 23 April 2015)

The Company Secretary is the Secretary of the Remuneration and Nomination Committee. The Executive Chairman and Company Secretary do not attend meetings involving matters pertaining to themselves. The Remuneration and Nomination Committee will meet at least four times a year and as often as required as determined by the Chairperson of the Committee. The Committee met four times during the year ended 31 December 2015. The number of meetings attended by each Committee member is disclosed in the Directors' Report. Any Committee member may convene a meeting of the Committee and two members constitute a quorum. The Committee has the right to access management and may engage independent professional advisers as it requires, to assist it to discharge its purpose and responsibilities. The minutes of meetings are circulated, approved and signed by the Chairman within twenty one days of the date of the meeting. Further details on the Remuneration and Nomination Committee, including its charter, the Board Renewal and Performance Evaluation Policy and the Diversity Policy can be viewed in the corporate governance section of the Company's website.

Director Education

Each new Director will undergo a formal induction at the earliest opportunity to enable them to gain an understanding of the Company's financial, strategic, operational and risk management position and to participate fully and actively in Board decision-making. Directors also have the opportunity to visit Company facilities and meet with management to gain a better understanding of business operations and both Mr Willes and Ms Howell did so during the year. Directors are also given access to continuing education opportunities to update and enhance their skills and knowledge.

ASX Principle 3 – Act ethically and responsibly

Code of conduct

Buru Energy has established a Code of Conduct and this can be viewed in the corporate governance section of the Company's website. The Code of Conduct applies to all Directors, senior executives, employees and contractors working on Buru Energy sites. It sets out the practices necessary to maintain confidence in the Company's honesty and integrity and the practices necessary to take into account the legal obligations and the expectations of the Company's stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Code of Conduct sets out the procedure to be followed if there is, or may be, a conflict between the personal or other interests of a Director and the business of the Company including the notification of an interest to the Board and a withdrawal from a meeting in which the material matter is discussed. There have been no reports of a departure from the Code of Conduct.

Trading in Company securities by Directors and employees

The key elements of the Company's share trading policy for Directors and employees are:

- Identification of those restricted from trading – directors and senior executives may acquire shares in the Company, but are prohibited from dealing in Company shares or exercising options:
  - in respect of a well drilling program in which Buru Energy has an interest, from the date on which the casing string above the first objective is set (or such earlier time or event as may be notified to staff by the Executive Chairman) until the close of trading on the day that the drilling rig has been released from the relevant location;
  - two weeks prior to the release of Buru Energy's half-year and annual reports;
  - whilst in possession of price sensitive information not yet released to the market.
- to raise the awareness of legal prohibitions including transactions with colleagues and external advisers
- to raise awareness that the Group prohibits entering into transactions that limit economic risks related to unvested share-based payments;
- to raise awareness that the Group prohibits those restricted from trading in Company shares as described above from entering into transactions such as margin loans that could trigger a trade during a prohibited period;
- to require details to be provided of intended trading in the Company's shares;
- to require details to be provided of the subsequent confirmation of the trade; and
- the identification of processes for unusual circumstances where discretions may be exercised in cases such as financial hardship.

The policy also details the insider trading provisions of the Corporations Act 2001 and is reproduced in full on the Company's website.

ASX Principle 4 – Safeguard integrity in corporate reporting

Audit Committee

The Company has a combined Audit Committee and Risk Committee. The Audit and Risk Committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

The Audit and Risk Committee is responsible for oversight and review of:

- the annual and half yearly statutory financial statements;
- procedures and issues that could have a significant impact on financial results (for example impairment testing);
- Buru Energy's internal controls including accounting controls;
- external auditor's independence and monitoring the audit process in accordance with the international auditing standards and any other applicable regulations;
- the appropriateness of the external auditor's provision of non-audit services;
- the need for and, if required, the scope and conduct of internal audit;
- the establishment and implementation of a risk management process to identify, assess, monitor and control risk;
- management's periodic risk assessments and recommendations;
- the adequacy of Buru Energy's insurances;
- compliance with appropriate regulations (including environmental and safety); and
- reporting on reserves in accordance with the appropriate regulations and guidelines.

The Audit and Risk Committee reviews the performance of the external auditors on an annual basis and will meet with them during the year to:

- discuss the external audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- review the half-year and full year financial reports prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement; and
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

The composition of the Audit and Risk Committee is a minimum of three members and should be comprised of only Non-executive Directors. The members of the Audit and Risk Committee during the period were:

- Mr Robert Willes (Chairperson) – Independent Non-executive
- Ms Eve Howell – Independent Non-executive
- Mr Eric Streitberg
- The Hon. Peter Jones AM – Independent Non-executive (resigned 23 April 2015)

The external auditors, the Executive Chairman and the Head of Finance, are invited to Audit and Risk Committee meetings at the discretion of the Committee.

The Audit and Risk Committee will meet at least three times a year and as often as required as determined by the Chairman of the Committee. The Committee met three times during the year. The number of meetings attended by each Committee member is disclosed in the Directors' Report. Any Committee member may convene a meeting of the Committee and two members constitute a quorum. The Committee has the right to access management and may engage independent professional advisers as it requires, assisting to discharge its purpose and responsibilities. The Company Secretary is the Secretary of the Audit and Risk Committee. The minutes of meetings are circulated, approved and signed by the Chairman within twenty one days of the date of the meeting. The external auditor met with the Audit and Risk Committee twice during the year.

Further details on the Audit and Risk Committee including its charter can be viewed in the corporate governance section of the Company's website.

Financial Statements

The Executive Chairman and the Head of Finance have declared in writing to the Board that in respect of both the 31 December 2015 financial report and 30 June 2015 half-year financial report of the Company and its controlled entities that:

- the Company's financial records have been properly maintained;
- the financial statements comply with accounting standards;
- the financial statements give a true and fair view;
- these statements are based on a sound system of risk management; and
- the Company's risk management and internal controls are operating efficiently and effectively.

These representations are made prior to the board approval of the release of the financial reports and is made after enquiry of, and representation by, appropriate levels of management.

External Auditor

The external auditor attends the annual general meeting to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Group and the independence of the auditor in relation to the conduct of the audit.

Internal Audit

Given the size and scale of Buru Energy, it does not have an internal audit function.

ASX Principle 5 – Make timely and balanced disclosure

The Board provides shareholders with information using a comprehensive Continuous Disclosure and Market Communications Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases. More details of the policy are available on the Company's website.

In summary, the Continuous Disclosure and Market Communications Policy operates as follows:

- the Executive Chairman and Company Secretary are responsible for interpreting the Group's policy and where necessary informing and seeking approval from the Board. The Executive Chairman and Company Secretary are primarily responsible for all external communications including releases made on ASX;
- the full annual report is made available to all shareholders via the Company's website. A physical copy will be sent to any shareholder that specifically requests it. The full annual report includes relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments;
- the half-yearly report is made available to all shareholders via the Company's website. A physical copy will be sent to any shareholder that requests it. The half-yearly report contains summarised financial information and a review of the operations of the Group during the period;
- proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders;
- all announcements made to ASX, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX; and
- the full texts of notices of meetings and associated explanatory material are placed on the Company's website.

All of the above information, dating back to the listing of the Company, is made available on the Company's website within one day of public release, and is emailed to all shareholders who lodge their email contact details with the Company. Information on lodging email addresses with the Company is available on the Company's website.

ASX Principle 6 – Respect the rights of security holders

Company website and corporate governance

The following information is included in the Corporate Information section of the Company's website:

- company overview;
- profiles of directors and senior executives;
- corporate directory; and
- corporate governance documents including key policies, board and committee charters and the Company constitution.

Investor Relations

The Board aims to ensure that shareholders and investors have appropriate access to Company information. The Company has a strategy to promote effective two way communication with shareholders through a policy of open disclosure to shareholders, regulatory authorities and the broader community of all material information with respect to the Company's affairs including, but not limited to:

- process for performance evaluation of the board, its committees, the Executive Chairman and senior executives;
- the link between remuneration paid to directors and key executives and corporate performance, as more fully disclosed in the annual Remuneration Report;
- shorter, more comprehensible notices of meetings.

The Company will ensure that:

- all documents that are released to the ASX are made available as soon as possible on the Company's website; and
- all other information on the Company's website is updated on a regular basis.

The Company will also make timely announcements concerning:

- changes to directors;
- changes to the Executive Chairman's contract or remuneration package;
- grant, expiry or vesting of employee share options or share appreciation rights;
- share purchases or divestment by Directors;
- conflicts of interest & related party transactions; and
- significant changes to accounting policies.

In addition to communicating with shareholders, the Company also communicates with investors who may or may not be shareholders. These communication activities must not involve the disclosure of confidential or potentially market sensitive information. When briefings with investors and analysts are held any price sensitive information included in such presentations is first made available to the market.

Participation at Meetings

The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions.

Shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors, the Remuneration report and changes to the Constitution and all other matters requiring shareholder approval. A copy of the Constitution is available to any shareholder who requests it.

Shareholder communications

Shareholders have the option of electing to receive all Company and share registry communications electronically, and also to send communications via email or to the Company website. All shareholders have the ability to request an electronic copy of ASX releases.

ASX Principle 7 – Recognise and manage risk

Risk Committee

The Company has a combined Audit Committee and Risk Committee. Information on that Committee in included above under ASX Principle 4.

Risk management

The Audit and Risk Committee oversees the establishment, implementation, and annual review of the Group's Risk Management System. Management has established and implemented the Risk Management System for assessing, monitoring and managing all risks, including material business risks, for the Group (including sustainability risk). The Executive Chairman and the Head of Finance have provided assurance, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating effectively.

Management provide the risk profile to the Audit and Risk Committee that outlines the material business risks to the Group. Risk reporting includes the status of risks through integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed. The Audit and Risk Committee reports the status of material business risks to the Board on an annual basis, and a review was undertaken with senior management during the year. Further details of the Group's risk management policy and internal compliance and control system are available on the Company's website.

The risks involved with oil and gas exploration generally and the specific risks associated with Buru Energy's activities in particular are regularly monitored and all exploration and investment proposals reviewed by the Committee include a conscious consideration of the issues and risks of each proposal. The Company's executive and senior management have extensive experience in the industry and manage and monitor potential exposures facing Buru Energy. The Group's operations are subject to significant environmental regulation under both Commonwealth and State legislation in relation to its oil and gas exploration and production activities. The Group is committed to achieving a high standard of environmental performance and continuous improvement. It has established a Group-wide Environmental Policy together with operation and activity specific environmental management plans to manage this area of the Company's activities. Compliance with the requirements of environmental regulations and with specific requirements of site environmental approvals was substantially achieved across all operations with no instances of material, non-compliance in relation to approval requirements noted. Based on the results of enquiries made, the Board is not aware of any significant breaches during the period covered by this report.

Internal Audit

Given the size and scale of Buru Energy, it does not have an internal audit function.

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. Comprehensive practices have been established to ensure:

- capital expenditure and commitments above a certain size obtain prior Board approval;
- financial exposures are controlled, further details of the Group's policies relating to interest rate management, forward exchange rate management and credit risk management are included in Note 6 to the financial statements;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel;
- financial reporting accuracy and compliance with the financial reporting regulatory framework; and
- environmental regulation compliance.

ASX Principle 8 – Remunerate fairly and responsibly

Remuneration Committee

The Company has a combined Nomination Committee and Remuneration Committee. Information on that Committee in included above under ASX Principle 2.

The Company is committed to adopting remuneration practices that:

- align the interests of employees and shareholders;
- attract and retain suitably qualified employees; and
- motivate employees to achieve superior performance.

The Remuneration and Nomination Committee is responsible for making recommendations to the Board on remuneration policies and employment practices applicable to directors, senior executives and employees of the Company.

For details of the Company's policies and practices regarding the remuneration of directors and senior executives and remuneration paid to directors and senior executives please refer to the Remuneration Report.

For details of the Company's Employee Share Option Plan and Share Appreciation Rights please refer to the Remuneration Report. Note that employees are prohibited from entering into hedge contracts which limit the economic risk of participation in this plan.

Formal appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of cooperation and constructive dialogue with employees and senior management.

Additional ASX Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

The distribution of ordinary shares ranked according to size as at 29 February 2016 was as follows:

Category	Ordinary Shares	%	No of Holders	%
100,001 and Over	237,354,113	69.81	371	4.19
10,001 to 100,000	80,877,968	23.79	2,596	29.30
5,001 to 10,000	12,011,961	3.53	1,531	17.28
1,001 to 5,000	9,087,552	2.67	3,062	34.56
1 to 1,000	665,484	0.20	1,300	14.67
Total	**339,997,078**	**100.00**	**8,860**	**100.00**
Unmarketable Parcels	2,648,699	0.78	2,448	27.63

The 20 largest ordinary shareholders of the ordinary shares as at 29 February 2016 were as follows:

Rank	Name	Number of ordinary shares	%
1	BIRKDALE ENTERPRISES PTY LTD	29,213,557	8.59
2	COOGEE RESOURCES PTY LTD	13,333,333	3.92
3	CHEMCO PTY LTD	13,333,333	3.92
4	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	12,165,374	3.58
5	MR ERIC CHARLES STREITBERG	10,568,133	3.11
6	FLEXIPLAN MANAGEMENT PTY LTD	8,342,469	2.45
7	MAXIGOLD HOLDINGS PTY LTD	4,899,928	1.44
8	MS NICOLA MARIE YEOMANS	4,722,400	1.39
9	CVC LIMITED	3,887,491	1.14
10	SINO PORTFOLIO INTERNATIONAL LIMITED	3,820,588	1.12
11	TROJAN OSF PTY LTD	3,706,000	1.09
12	CITICORP NOMINEES PTY LIMITED	3,310,845	0.97
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,051,837	0.90
14	MR STEPHEN HARRY JONES	2,870,934	0.84
15	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,835,826	0.83
16	CHARRINGTON PTY LTD	2,700,000	0.79
17	WHITTINGHAM SECURITIES PTY LIMITED	2,500,000	0.74
18	PGP PTY LTD	2,080,000	0.61
19	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	1,955,104	0.58
20	CHARRINGTON PTY LTD	1,820,000	0.54
	Total twenty largest shareholders	**131,117,152**	**38.55**
	Balance of register	**208,879,926**	**61.45**
	Total register	**339,997,078**	**100.00**

The following interests were registered on the Company's register of Substantial Shareholders as at 29 February 2016:

Shareholder	Number of ordinary shares	%
Birkdale Enterprises Pty Ltd	29,213,557	8.59
Eric Streitberg and his associates	28,720,566	8.45
Chemco Pty Ltd	26,666,666	7.84

Voting rights

Ordinary shares

At a general meeting of shareholders:

(a) On a show of hands, each person who is a member or sole proxy has one vote.
(b) On a poll, each shareholder is entitled to one vote for each fully paid share.

Unlisted Options

There are no voting rights attached to the unlisted options:

Other information

Buru Energy Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

The Company is listed on the Australian Securities Exchange. ASX Code: BRU

The Company and its controlled entities schedule of interests in permits as at 29 February 2016 were as follows:

Permit	Type	Ownership	Operator
L6	Production license	100.00%	Buru Energy Ltd
L8	Production license	100.00%	Buru Energy Ltd
L17	Production license	100.00%	Buru Energy Ltd
L20	Production license	50.00%	Buru Energy Ltd
L21	Production license	50.00%	Buru Energy Ltd
EP129**	Exploration permit	100.00%	Buru Energy Ltd
EP371	Exploration permit	50.00%	Buru Energy Ltd
EP390*	Exploration permit	25.00%	Buru Energy Ltd
EP391	Exploration permit	50.00%	Buru Energy Ltd
EP428	Exploration permit	50.00%	Buru Energy Ltd
EP431	Exploration permit	50.00%	Buru Energy Ltd
EP436	Exploration permit	50.00%	Buru Energy Ltd
EP438*	Exploration permit	25.00%	Buru Energy Ltd
EP457	Exploration permit	37.50%	Buru Fitzroy Pty Ltd
EP458	Exploration permit	37.50%	Buru Fitzroy Pty Ltd
EP471*	Exploration permit	25.00%	Buru Energy Ltd
EP472*	Exploration permit	50.00%	Buru Energy (Acacia) Pty Ltd
EP473*	Exploration permit	25.00%	Buru Energy Ltd
EP476*	Exploration permit	50.00%	Buru Energy Ltd
EP477*	Exploration permit	50.00%	Buru Energy (Acacia) Pty Ltd
EP478*	Exploration permit	100.00%	Buru Energy (Acacia) Pty Ltd
PL7	Onshore pipeline license	100.00%	Buru Energy Ltd

* *Application has been made to the DMP for the relinquishment of these permits*

** *Excluding Backreef Area*

Buru Energy

www.buruenergy.com