Buru Energy

2019 Annual Report

Buru Energy Limited Annual Report
For the year ended 31 December 2019
ABN 71 130 651 437

Contents

Dear Shareholder,

2019 was a very active year for your Company with an intensive development and exploration drilling campaign and significant changes to the structure of the Company's exploration portfolio. Drilling activity was focused on the further development of the Ungani Oilfield and on drilling of two of the prospects in the Company's extensive exploration portfolio.

Underpinning these activities was oil production from the Ungani Oilfield with a total of some 373,000 barrels produced during the year of which 50% or 186,500 barrels was to Buru's account. This was a satisfactory production result for the year in the context of the existing field configuration, with two new production wells, Ungani 7H and Ungani 6H being drilled during the year with the aim of increasing and sustaining oil production.

An innovative and technically challenging well design was planned for the drilling of these wells with horizontal reservoir penetrations drilled underbalanced with coil tubing. This new well design was adopted to maximise oil recovery as we move from the appraisal to development phase of the field. Some difficulty was encountered with the initial well design and drilling rig reliability at Ungani 6H and the well was suspended before completion, but the subsequent Ungani 7H well was successfully completed with two horizontal penetrations of the Ungani Dolomite reservoir section. Operations on the Ungani 6H well will recommence in the first quarter of 2020 with an expectation for increased field production if the well is successfully completed.

Export of Ungani field oil production continues to operate safely and efficiently with the current trucking and export system through the Port of Wyndham providing a reliable and fit for purpose market outlet for the Company's production.

The two exploration wells in this year's drilling program unfortunately did not encounter the hoped for large prospective resources, however, the Company's exploration portfolio contains a significant number of additional high value prospects including the world scale Rafael prospect. Subsequent to the late 2019 withdrawal of Roc Oil from the exploration permits held under the terms of its farmin agreement with the Company, 100% title to the Company's core exploration permits was regained. Planning for continued exploration on these and on other Buru held permits is currently underway in conjunction with an international farmout process with the aim of introducing an aligned exploration partner.

Share market conditions remained challenging during the year with investors largely focused on sectors of the market other than oil and gas producers and explorers. However, the demand for oil and gas remains strong as the transition from fossil fuels to less carbon intensive energy sources is relatively gradual in a global context, and the demands from developing economies for oil and gas remains strong.

The Company's extensive condensate rich tight gas resources remain in limbo while the Western Australian Government prepares the regulations arising from the recommendations in the report from the Scientific Inquiry into hydraulic fracturing. However, there is potential for the Company to develop relatively small scale conventional gas resources in conjunction with renewables to provide energy to local customers, and this project will be progressed during the coming year.

The Company's safety and environment record was excellent on its production operations during the year. However, there was room for improvement in the complex and interlocking contractor model that supplied the services for the drilling program, and this will be a focus for improvement in future programs, including a restructuring of the contracting model.

The Company's relationship with its on-ground and wider stakeholders remains strong, with good support from the local community where extensive services and goods were sourced during the 2019 drilling campaign. The service provision from Broome and the wider Kimberley community is outstanding and the Company is most appreciative of that support. Good relationships with the local Traditional Owners have also been maintained and there is general support for the Company's operations that have provided jobs and income for a number of groups.

The Board is also greatly appreciative of the continuing support of its shareholders and of its staff through a very operationally intensive and technically challenging period. The Board is focused on realising the value of the Company's assets from a position of relative strength, with a strong balance sheet, a producing asset with good cash flow, and an excellent exploration portfolio.

Eric Streitberg

Eric Streitberg
Executive Chairman

Corporate Summary

Buru Energy Limited (ASX: BRU) is a Western Australian oil and gas exploration and production company headquartered in Perth with an operational office in Broome. The Company's petroleum assets and tenements are located onshore in the Canning Basin in the southwest Kimberley region of Western Australia. It owns and operates 50% of its flagship high quality conventional Ungani Oilfield project and 100% of its potentially world class tight gas resources and the majority of its exploration areas.

Board Composition

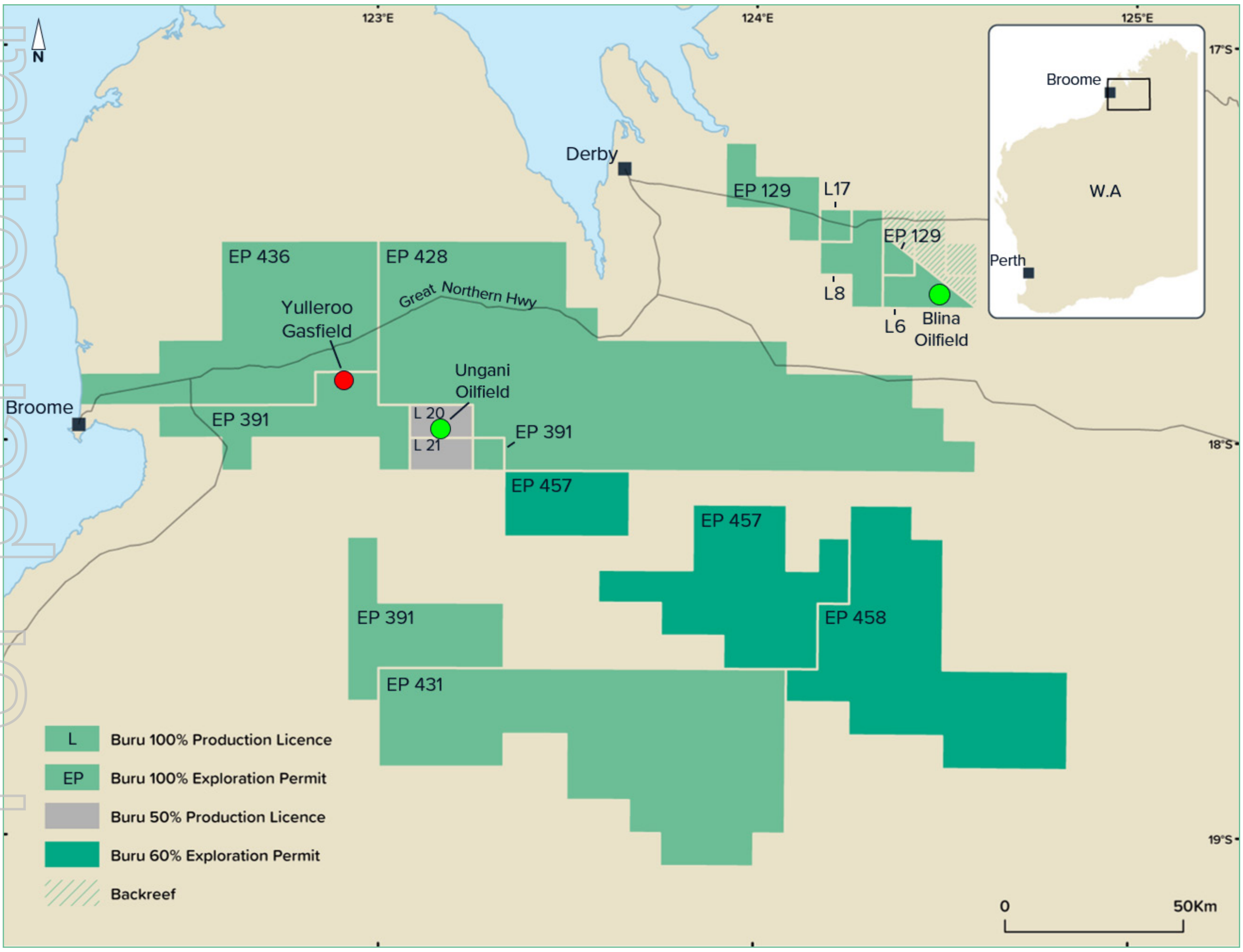
Eric Streitberg	Executive Chairman
Eve Howell	Non-executive Director
Robert Willes	Non-executive Director

Current Issued Capital

Fully paid ordinary shares	432,074,241
Unlisted employee share options	10,750,000

Trading History

Share price range during 2019	$0.165 to $0.36
Liquidity (annual turnover as % of average issued capital)	19.09%
Average number of shares traded per month	~6.9 million



Location of the Company's Assets

Business Philosophy and Strategy

The Company's goal is to deliver material benefits to its shareholders, the State of Western Australia, the Traditional Owners of the areas in which it operates, and the Kimberley community. It is focused on exploring for and developing the petroleum and energy resources of the Canning Basin in an environmentally and culturally sensitive manner.

The Company's strategy over the next 12 months includes the following activities:

- **maximising the production levels and resource recovery from the Ungani Oilfield;**
- **continuing the systematic exploration of its extensive highly prospective exploration areas for conventional oil and gas resources;**
- **continuing to further appraise its large scale contingent and prospective wet gas resources in the Yulleroo Gasfield and surrounding areas; and**
- **reviewing the potential for integrated energy projects utilising the abundant resources of the Kimberley region;**

whilst maintaining profitability and balance sheet strength.

Shareholder Communications

The Company recognises the importance of providing timely and appropriate information to shareholders. This provision of information is at a minimum in accordance with its continuous disclosure obligations under ASX regulations and it has processes to ensure it provides shareholders with all relevant and price sensitive information in a timely manner. In addition to this continuous disclosure process, the Company provides regular shareholder updates, and quarterly, half yearly and annual reports.

All of this information is made available on the Company's website (www.buruenergy.com) which also contains details of the Company's background, corporate structure, governance policies and general activities. As the continuous disclosure process provides a very significant volume of detailed operational reporting, this Annual Report provides a general summary of these details and also communicates to shareholders the Company's business philosophy, economic and financial condition and future prospects.

Funding, Commitments and Prospects

The Company's Board maintains processes to ensure that its financial position is sound and appropriate for the execution of the Company's strategy and also take into account the prevailing economic environment including the state of local equity markets and global financial conditions. These processes include detailed internal cash flow models and operational reviews that are stress tested over various time periods to ensure all reasonable scenarios are modelled.

This process also allows decisions to be made both prior to and during operational activities as to levels of expenditure that are prudent in the circumstances.

The Company has a low level of commitment expenditure obligations and significant income from its Ungani Oilfield operations and has retained a strong balance sheet from this year's activities to ensure it has the ability to make future discretionary expenditure decisions to execute its strategy.

The Board retains close control over these matters through monthly operational reviews and detailed financial accounts and cash flow projections. Discretionary expenditures are considered in light of these projections and decisions on the equity levels and magnitudes of these forward expenditures are made taking into consideration longer term cash flow implications.

Corporate Governance

Corporate Governance is a key focus of the Board and the principles governing the actions of the Board and the employees of the Company are in accordance with the ASX core principles of corporate governance. The Company's full Corporate Governance Statement can be found on the Company's website, at https://www.buruenergy.com/site/about-us/corporate-governance.

The Company's compliance with these policies is formally monitored by the Board and any non-compliance identified. In that regard it is noted that of the three current Directors on the Board there is a majority of independent directors. However, the Executive Chairman is not independent and this does not comply with the best practice guidelines of ASX. However, the Board and major shareholders consider this is appropriate for the current situation of the Company and regularly review whether this continues to be the case.

Corporate Responsibility

The Company recognises that its responsibilities are to not only maximise value to its shareholders but that to be able to do so it must ensure it has the support of the broad variety of stakeholders in the areas in which it operates including local communities, Traditional Owners, and pastoralists.

This support must be earned through committed ethical and responsible conduct and close engagement with stakeholders. The guidelines for the conduct of the Company are set out in formal codes of conduct and a number of specific policies, the details of which are available on the Company's website.

The Company also has a long term structured program of substantial support of local community activities focused on community development, and also has a strong commitment to ensuring that it engages local community members and contractors in its activities as far as practicable.

A key part of the Company's community engagement process is with the Traditional Owners in the Kimberley. The Kimberley has a large and disparate Aboriginal population that is dispersed throughout the region and the Company's activities interact with many communities and more generally with Aboriginal people in the area. The Company is committed to assisting Aboriginal people to achieve economic independence through employment, business development and training. These commitments are formalised in agreements with the various groups in the areas in which the Company operates. This engagement includes regular formal and on country meetings and information sessions, and conducting heritage clearances for all ground disturbing activities.

Business Risk Management

The Company manages risk through a formal risk identification and risk management system, details of which are included in the Corporate Governance Statement. 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. The risk process identifies both operational and corporate risks that are managed through separate but complementary systems.

The operational risks are considered to be similar to other companies operating in the onshore hydrocarbon exploration and extraction industry, and the Company employs suitable qualified personnel to manage its operations and the associated risks.

To effectively manage these operational risks the Company has in place an operational risk management system that is implemented through Health Safety and Environment management systems that are subject to detailed Government regulatory oversight. Included in the identified operational risks are those specific risks associated with the oil and gas industry including the production, processing and transport of crude oil, and the testing and evaluation of high pressure gas accumulations, and the associated environmental risks and impacts of these activities. The Company's compliance with its operational and environmental risk management systems is continuously audited internally and externally through structured reporting processes.

The Company's environmental risk management system is structured in a similar manner to its operational risk management system with specific risks identified, managed, audited and reported.

Corporate risks are also managed through a series of policies and procedures and the Company's formal risk identification and management system. The systems ensure that the Company's financial position is sound, financial systems and controls are robust, insurances are effective, and internal personnel management systems ensure the business is appropriately resourced and staffed.

The Company is cognisant of the potential effects of climate change policies instigated by various State and Federal governments on both the costs and time frames of projects. It is particularly aware of the changing dynamics in relation to community attitudes to fossil fuel extraction and use, and these factors are considered in the investment decisions made by the Company, together with the effects such policies may have on commodity prices on both a local and global scale. Investment opportunities in regional renewable energy projects have also become an important strategic focus for the Company where such projects can be made viable in combination with Buru's conventional and unconventional gas resources.

During the year the Company continued production from its Ungani Oilfield and drilled a number of exploration and development wells within its petroleum exploration permit and licence areas in the Canning Basin.

Ungani Oilfield *(L20/L21 - Buru Energy 50% and operator)*

Production and Sales

Buru Energy holds a 50% interest in the Ungani Oilfield and is the joint venture operator of the field. The remaining 50% interest is held by Roc Oil (Canning) Pty Limited (ROC). Production from the Ungani Oilfield for the year ended 31 December 2019 totalled ~373,000 bbls at an average rate of ~1,000 bopd (2018 production of ~330,000 bbls), with Buru Energy's 50% share of production being ~186,500 bbls. The average production rate included well offline time with ongoing minor well interventions and maintenance being carried out as required throughout the year.

Ungani crude oil is trucked by Fuel Trans Australia Pty Ltd to Wyndham Port and stored in Cambridge Gulf Limited's storage Tank 10 prior to its FOB sale. The previous oil sales and lifting contract with Trafigura expired on 30 June 2019, and after a competitive tender process, a new contract was executed with Petro-Diamond Singapore. The price received FOB Wyndham represents the realised Brent linked oil price less the buyer's fixed marine transport discount.

Gross sales of Ungani crude during the year totalled approximately 316,000 bbls. All liftings during the 2019 year are shown in the table below:

Lifting Date	Buyer	Ship	Quantity Gross bbls	Revenue Gross A$	Quantity Net bbls	Revenue Net A$	FOB Price A$/BBL
1 Jan 19	Trafigura (Singapore)	Palanca Miami	22,820[1]	$2.0M	11,410	$1.0M	$90.49
12 Mar 19	Trafigura (Singapore)	MT The Sheriff	70,278	$6.0M	35,139	$3.0M	$85.52
23 May 19	Trafigura (Singapore)	Ocean Autumn	73,780	$7.0M	36,890	$3.5M	$95.32
12 Aug 19	Petro Diamond (Singapore)	MT Ribe Maersk	75,414	$6.2M	37,707	$3.1M	$81.31
1 Nov 19	Petro Diamond (Singapore)	MT The Sheriff	73,758	$6.4M	36,879	$3.2M	$86.15
TOTAL			**316,050[2]**	**$27.6M**	**158,025**	**$13.8M**	**$87.31**

1. *Lifting commenced on 31 December 2018 and was completed on 1 January 2019. The total lifting was for 69,687 bbls, with 46,867 bbls recognised as revenue in CY 2018 and 22,820 bbls recognised as revenue in CY 2019.*
2. *Given the 80,000 bbl storage capacity at Wyndham, there will always be a variance between volumes produced and sold on an annualised basis. Following the end of the year, a record lifting of ~78,000 bbls took place on 9/10 January 2020.*

Buru Energy's share of revenue from the Ungani Oilfield for the year totalled ~A$13,800,000 at an average received price of ~A$87/bbl (2018: ~A$19,900,000 at ~A$88/bbl). Note that despite overall higher annual field production levels in 2019, the reduction in Buru's share of revenue reflects the part sale of the Ungani Oilfield to ROC in mid-2018 as well as the delayed shipment at year end in 2019.

Cost of sales totalled ~A$6,200,000 at A$39/bbl (2018: ~A$10,400,000 at ~A$46/bbl) giving a gross profit from sales of Ungani crude net to Buru Energy of ~A$7,600,000 before amortisation charges, at an average annualised margin of ~A$48/bbl (2018: ~A$9,500,000 at ~A$42/bbl).

Development

During the year, as part of the ongoing development of the field, the Ungani Joint Venture drilled the Ungani 6H and Ungani 7H development wells with the NGD 405 drilling rig. Drilling time of the Ungani 6H well was significantly increased by a number of operational problems including rig mechanical issues, lost circulation zones, and consequent difficult drilling conditions in the Ungani Shale section. The well was drilled at a high angle to the top of the Ungani Dolomite which was intersected as planned at a measured depth of 2,346 metres. Attempts to then run the 5½ inch (140 mm) casing to the planned depth at the top of the Ungani Dolomite were ultimately unsuccessful, and the casing was cemented in place at a depth of 2,310 metres measured depth in the Ungani Shale and the well was suspended. An expandable liner is required to be run over the short section of exposed Ungani Shale below the casing before the well can be completed and it is expected this operation will take place in the first quarter of 2020.

The Ungani 7H well was drilled as a highly deviated well from a surface location on the Ungani 4ST1 well pad to a total measured depth of 2,237 metres. The top of the Ungani Dolomite reservoir was encountered as prognosed at 2,224 metres measured depth with good to excellent oil shows observed. A 4½ inch (114 mm) liner was run and cemented into to the top of the dolomite at 2,236 metres measured depth.

A coil tubing unit with a steerable assembly then undertook the drilling of the Ungani 7H well horizontal reservoir penetration. These operations included an initial horizontal lateral section of some 290 metres of Ungani Dolomite on a flat trajectory some 80 metres above the original oil/water contact of the field. The second lateral (designated Ungani 7H/ST1) was then completed for a length of some 145 metres of Ungani Dolomite penetration from the kickoff point in Ungani 7H. Since completion the well has been on production with a number of operations being undertaken to optimise longer term production from the well. These have included the installation of a tubing string and beam pump, with planning underway to install an electric submersible pump (ESP) in early 2020 to maximise production rates.

At the completion of the operations at Ungani 7H, the coil tubing unit was relocated to the Ungani 6H location. The operations to run the liner section were delayed by initial milling operations taking longer than expected and mechanical issues with the contractor's coil tubing unit. Consequently, the coil unit operations were suspended, and the unit demobilised for repairs by the contractor (Halliburton). The remobilisation of the coil unit to Ungani 6H is subject to availability of the Halliburton unit from its current operations which is expected to be during the first quarter of 2020.

During the year, the Ungani Production Facility was debottlenecked and expanded to handle the expected increased oil production from Ungani 6H and Ungani 7H, as well as the increased produced water from the field generally. This expansion involved the installation of new tanks and associated infrastructure to tie the new wells into the facility.

Lennard Shelf Oilfields

(L6/L8 - Buru Energy 100%)

The Blina and Sundown Oilfields remain shut-in. During the year seven legacy wells were decommissioned using Buru Energy's Jacking Platform System (BJP) with those operations undertaken successfully on time and on budget.

The Blina 4 well was recompleted to test the potential of the Yellowdrum reservoir section in the Blina Field and this section unfortunately proved to be tight. A short flow test was then undertaken of the Nullara zone which was the main producing zone of the field before it was shut-in, and this resulted in flows of essentially clean oil.

The significance of these results and various pressure tests that were undertaken will be reviewed during the coming year.

Exploration and Appraisal

Adoxa 1
(EP 428 - Buru Energy 50% and operator)

The Adoxa 1 exploration well was drilled on EP 428 as a joint venture well with ROC under the since terminated 2018 Farmin Agreement. For the purpose of drilling the Adoxa 1 well, the parties agreed that it be funded outside the Farmin Carry, with both ROC and Buru Energy paying at the 50/50 equity level.

The Adoxa 1 well was drilled with the NGD 405 rig to a total depth of 2,300 metres and an extensive suite of wireline logs and pressure measurements were then acquired. These identified a zone from 1,891 to 1,902 metres measured depth ("1900 zone") in the Upper Anderson section that is interpreted from logs and pressure data to have the potential to flow oil. In order to make provision for a definitive test of the 1900 zone, a 4½ inch (114 mm) casing string was run into the well prior to the rig being demobilised.

The review of the well result is ongoing, including a review of the potential for testing the well. A review of the well casing identified that an additional cementing operation will be required if a production test is to be undertaken. If this can be commercially justified, any further operations are expected to be carried out during the 2020 Canning Basin dry season.

Miani 1
(L8 - Buru Energy 100%)

The Miani 1 exploration well was drilled with the NGD 405 rig as a vertical well to a total measured depth of 3,060 metres. The objective of the well was conventional oil hosted in a stratigraphic trap interpreted to have been formed by a fault bounded collapse feature enhanced by hydrothermal dolomitisation of the Nullara reefal carbonates.
The well encountered a thick section of tight limestones with intermittent dolomite and hydrothermally mineralised zones. Elevated mud gas readings and oil shows in cuttings samples were observed over the interval 2,970 metres to 2,990 metres, however, LWD logs indicated that the interval was tight, and the well was plugged and abandoned in accordance with regulations and the NGD 405 drilling rig was demobilised to Perth. The results of the well are currently being further analysed to determine the significance of the hydrocarbon shows and the formations encountered and the implications of these for further exploration in the area.

Yulleroo Gasfield
(EP 391 & EP 436 - Buru Energy 100%)

The Yulleroo Gasfield includes four wells that have defined a substantial gas accumulation with a number of zones identified that have the potential for conventional gas production. Conventional gas resources could be used to supply local industry and power generation as a substitute for LNG trucked from the Pilbara. Preparations for the test of the conventional gas flow potential of the Yulleroo 3 well are progressing for first quarter of 2020.

During the year, the WA State Government announced that the moratorium on Hydraulic Fracture Stimulation (fraccing) had been lifted over existing Petroleum Titles including those held by the Company. This followed the Independent Scientific Inquiry which in 2018 confirmed that the activity is low risk if properly regulated. Prior to the moratorium Buru had undertaken a total of 14 fracs on three wells in the Canning Basin, all with no incidents, no detectable impact on the environment, and fully compliant with current legislation. The regulations to cover future fraccing activity are still being drafted by the Western Australian Government and there is currently no planned material exploration expenditure on the unconventional gas resources at Yulleroo until the current regulatory uncertainty is resolved. Therefore, an impairment expense of ~$6,000,000 against capitalised exploration and evaluation expenditure in relation to the Yulleroo Gasfield unconventional gas resources has been recorded as at the end of the reporting period.

Health, Safety and Environment

The Company's onshore operations are regulated by numerous agencies and authorities, principally the Department of Mines, Industry, Resources and Safety (DMIRS) under the Petroleum and Geothermal Energy Resources Act 1967 (PGER Act) and the Petroleum Pipelines Act 1969 and associated regulations. Other regulators include the Department of Water and Environmental Regulation (DWER) under the Rights and Water and Irrigation Act 1914 and the Environmental Protection Act 1986 and a number of other agencies and regulations.

Health, safety and environmental approvals from the various agencies are required to be in place prior to undertaking any petroleum activities. During all activities, the Company implements a structured internal environmental audit process to identify opportunities for improvement and measurement of HSE performance. Regular external audits and inspections are also undertaken by regulatory agencies to measure compliance against HSE approvals.

During 2019, Buru Energy was not aware of any material non-compliance in relation to health safety or environmental legislation.

Traditional Owner Engagement

No petroleum activity can be conducted on the Company's licences and permits without the involvement and consent of the Traditional Owners of the areas, and Buru has never accessed an area without this consent.

These access arrangements are described in formal Heritage Protection and Land Use Agreements the Company has in place with Traditional Owners across its permit areas. For any ground disturbing activities, the Company first requests and funds a heritage survey organised and conducted by the Traditional Owners, which may involve up to eight Traditional Owners together with several anthropological and archaeological advisers to the Traditional Owners. If a clearance is received from the Traditional Owners to proceed with the activity in that area, further monitoring is typically carried out on site by Traditional Owners as the activity, for example seismic surveys and drill pad clearances, is carried out. This extensive and formalised process ensures cultural heritage values are protected during all of Buru's activities.

Buru has a number of Nyikina Mangala, Yawuru and Warrwa Aboriginal employees both at the Ungani Oilfield, and to support our Kimberley operations more generally. The Company continues to comply with the relevant Ungani Traditional Owner agreements and is exceeding its targets for Aboriginal employment including recruiting an additional Aboriginal employee at our Ungani Oilfield during 2019. Buru also provides support for local Aboriginal ranger groups for key areas in which it operates and gives preference to contracting local Kimberley Aboriginal businesses to provide services.

Corporate

Acquisition of additional 50% equity in EP 391, EP 428 & EP 436

As announced to the ASX on 5 December 2019, Buru Energy reached agreement for ROC to withdraw from its 50% interest in Canning Basin exploration permits EP 428, EP 436 and EP 391 (the Farmin Permits). The withdrawal was contemplated and allowed for under the terms of the 2018 Farmin Agreement between Buru Energy and ROC, whereby ROC was to earn a 50% interest in the Farmin Permits by carrying Buru Energy through an agreed exploration program by 30 June 2020. To assist the Company in undertaking systematic forward exploration activity on the Farmin Permits ROC withdrew from the Farmin Permits with an effective date of 31 December 2019 with Buru assuming 100% equity in the permits.

The Company will now look to introduce an appropriate farmin party to these 100% held permits with a view to undertaking further exploration activity as soon as practicable, including the drilling of the world class Rafael conventional oil prospect.

Acquisition of additional equity in EP 457 & EP 458

The Company's acquisition of an additional interest in EP 457 and EP 458 from a subsidiary of Mitsubishi Corporation, as announced to the ASX on 10 December 2018, reached final settlement in March 2019. Buru Energy now owns a 60% interest in each of EP 457 and EP 458, with Rey Resources Ltd holding the remaining 40%. Buru Energy continues as the operator of these permits, with ongoing technical and on ground work proposed for 2020.

Alcoa Loan

As at 31 December 2018, $5.0 million was payable to Alcoa under a legacy gas sales agreement. In January 2019, an accelerated capital repayment of $0.5 million was repaid against the loan and in December 2019, a further $2.5 million was repaid. The remaining liability as at 31 December 2019 has been reduced to $2.0 million due before 31 December 2020.

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 2019, and the auditor's report thereon. The remuneration report for the year ended 31 December 2019 on pages 16 to 19 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 a 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 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, primarily with Amoco Corporation, Apache Energy Ltd and Woodside Energy Ltd. She is a Director of MMA Offshore Ltd and Chair of Role Models & Leaders Australia Ltd which runs the Girl's Academy Program focused on secondary education of Aboriginal girls. Ms Howell has previously served on a number of boards including Downer EDI Ltd, Tangiers Petroleum Ltd, 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 offshore Carnarvon Basin and became the second largest domestic gas supplier in Western Australia. She held various senior positions with Apache in Australia including Exploration Manager, 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 - North West Shelf and Executive Vice President – Health, Safety and Security for all Woodside's operations. Ms Howell holds a Bachelor of Science (with Honours in Geology and Mathematics) from King's College, University of London and an MBA from the Edinburgh Business School, Heriot Watt University. 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 30 years of extensive international experience in the oil and gas and energy industries. He was previously the Managing Director of Challenger Energy Ltd. He 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. 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.

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 before joining Buru Energy in 2009. Mr McDermott has been Company Secretary since December 2011 and is the Chief Financial Officer of the Company. He is a member of the Institute of Chartered Accountants Australia and an Associate of the Governance Institute of Australia.

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	13	13	4	4	3	3
Eve Howell	13	13	4	4	3	3
Robert Willes	13	13	4	4	3	3

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 2019 is set out on pages 6 to 10 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 2019 was $27,534,000 which included exploration and evaluation expenditure of $16,879,000 and a one off non-cash impairment to capitalised exploration expenditure of $6,036,000 (31 December 2018: profit of $29,737,000 which included a one off gain on the sale of 50% of the Ungani Oilfield of $36,337,000).

Financial Position

The net assets of the Group totalled $67,428,000 as at 31 December 2019 (31 December 2018: $94,324,000).

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. DMIRS is the primary regulator in Western Australia for petroleum activities though the Group's activities are also regulated by DWER. 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.

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 were as follows:

Directors	Ordinary Shares	Unlisted Options
Eric Streitberg	21,225,409	-
Eve Howell	294,000	-
Robert Willes	132,000	-
Total	**21,651,409**	**-**

Share Options

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

Date of Expiry	Exercise Price	Number of shares under Option
31 December 2020	$0.50	4,900,000
31 December 2021	$0.40	5,850,000

All share options are over ordinary shares in the Company. All options are unlisted and 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 senior executives during the financial year are included in the Remuneration Report on pages 16 to 19. No options have been granted since the end of the reporting period.

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 $98,615 (2018: $95,590) 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 full year audit, half year review, Joint Venture audits and royalty audits. During the year ended 31 December 2019, the amount paid or payable to the Group's auditor (KPMG Australia) for statutory and other audit and review services totalled to $88,667 (2018: $91,500).

Qualified Petroleum Resources Evaluator Statement

Except where otherwise noted, information in this Annual Report related to exploration and production results and petroleum resources is based on information compiled by Eric Streitberg who is an employee of Buru Energy Limited. Mr Streitberg is a Fellow of the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors, and a member and Certified Petroleum Geologist of the American Association of Petroleum Geologists. He has over 40 years of relevant experience. Mr Streitberg consents to the inclusion of the information in this document.

Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 20 and forms part of the Directors' Report for the year ended 31 December 2019.

Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the Consolidated Financial Statements 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
13 March 2020

Mr Robert Willes
Non-executive Director
Perth
13 March 2020

Principles of remuneration - Audited

The Directors present their Remuneration Report for Buru Energy for the year ended 31 December 2019. 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.

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*.

Remuneration levels for KMP are competitively set to attract and retain appropriately qualified and experienced Directors and executives. The remuneration 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 remuneration structures take into account:

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

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

Fixed remuneration

Fixed remuneration consists of base remuneration (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. Remuneration 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 may provide analysis and advice to ensure the Directors, executive and senior management remuneration is competitive in the market place. Remuneration is also reviewed on promotion.

Performance linked remuneration

Performance linked remuneration 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. Any short term incentive (STI) is an 'at risk' bonus provided in the form of cash, while any long term incentive (LTI) is provided under the Employee Share Option Plan (ESOP). The LTIs are structured to ensure that incentives are appropriately aligned to sustainable shareholder value creation.

Short term incentive bonuses

The payments of any STI 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 financial and non-financial KPIs include base and stretch targets related to health and safety results, production levels, exploration outcomes and share price appreciation. All STI bonuses are subject to Board approval.

Long-term incentive bonuses

The Remuneration and Nomination Committee considers that an LTI scheme structured around equity based remuneration 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.

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 and increasing production at the Group's production licenses. The Board considers that the Group's LTI schemes incentivise KMP to achieve these outcomes 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.

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 remuneration 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. Remuneration 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 remuneration policy.

Services from remuneration consultants

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

Non-executive Directors

Total fixed remuneration 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 $96,000 plus statutory superannuation per annum. The Chairman's base fee is ordinarily $150,000 plus statutory superannuation per annum, however the current Chairman, Mr Streitberg, is not eligible for this remuneration as he is not acting in a non-executive capacity. An additional fee of $7,400 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 $14,600 plus statutory superannuation.

Key Management Personnel Remuneration - 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	Other long term		Share-based payments			
		Salary & Fees	Annual leave	STI cash bonus (A)	Non-monetary benefits (B)	Total	Superannuation benefits	Long service leave	Termination benefits	ESOP (C)	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	2019	117,558		-	-	117,558	11,168	-	-	-	128,726	0.00%	0.00%
	2018	115,350		-	-	115,350	10,958	-	-	-	126,308	0.00%	0.00%
Mr R Willes, NED	2019	117,558		-	-	117,558	11,168	-	-	-	128,726	0.00%	0.00%
	2018	115,350		-	-	115,350	10,958	-	-	-	126,308	0.00%	0.00%
Total Non-executive Directors' Remuneration	**2019**	**235,116**		**-**	**-**	**235,116**	**22,336**	**-**	**-**	**-**	**257,452**	**0.00%**	**0.00%**
	2018	**230,700**		**-**	**-**	**230,700**	**21,916**	**-**	**-**	**-**	**252,616**	**0.00%**	**0.00%**
Executive Directors													
Mr E Streitberg, Executive Chairman	2019	579,462	47,692	-	18,285	645,439	58,900	12,132	-	-	716,471	0.00%	0.00%
	2018	586,462	47,692	-	16,594	650,748	58,900	9,830	-	-	719,478	0.00%	0.00%
Total Directors' Remuneration	**2019**	**814,578**	**47,692**	**-**	**18,285**	**880,555**	**81,236**	**12,132**	**-**	**-**	**973,923**		
	2018	**817,162**	**47,692**	**-**	**16,594**	**881,448**	**80,816**	**9,830**	**-**	**-**	**972,094**		
Executives													
Mr N Rohr, General Counsel (Ceased employment May 2018)	2019	-	-	-	-	-	-	-	-	-	-	0.00%	0.00%
	2018	170,000	13,077	-	1,650	184,727	16,150	-	204,000	-	404,877	0.00%	0.00%
Mr S McDermott, Chief Financial Officer & Company Secretary	2019	262,481	22,231	3,613	5,297	293,621	27,360	6,689	-	32,679	360,350	10.07%	9.07%
	2018	274,292	21,769	14,150	7,031	317,242	28,229	8,669	-	27,985	382,125	11.03%	7.32%
Mr A Forcke, General Manager - Commercial (Commenced employment July 2018)	2019	337,983	27,462	4,463	7,624	377,532	33,804	882	-	32,679	444,897	8.35%	7.35%
	2018	156,154	26,923	-	2,764	185,841	16,625	180	-	27,985	230,621	12.13%	12.13%
Mr K Waddington, Chief Operating Officer (Appointed COO March 2019)	2019	247,297	21,282	4,150	5,076	277,805	26,283	11,732	-	32,679	348,499	10.57%	9.38%
Total Executive Officer Remuneration	**2019**	**847,761**	**70,975**	**12,226**	**17,997**	**948,959**	**87,447**	**19,303**	**-**	**98,037**	**1,153,746**		
	2018	**600,446**	**61,769**	**14,150**	**11,445**	**687,810**	**61,004**	**8,849**	**204,000**	**55,970**	**1,017,633**		
Total Directors and Executive Officer Remuneration	**2019**	**1,662,339**	**118,667**	**12,226**	**36,282**	**1,829,514**	**168,683**	**31,435**	**-**	**98,037**	**2,127,669**		
	2018	**1,417,608**	**109,461**	**14,150**	**28,039**	**1,569,258**	**141,820**	**18,679**	**204,000**	**55,970**	**1,989,727**		

Notes in relation to the table of KMP remuneration

A. *STI bonuses are linked to the fulfilment of the financial and non-financial KPIs related to health and safety results, production levels, exploration outcomes and share price appreciation for the period 1 June 2018 to 31 May 2019.*
B. *Non-monetary benefits to KMP relate to the provision of car parking, life insurance and salary continuance insurance.*
C. *The fair value of the options issued under the ESOP in 2019 are 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.*

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 19	Granted as remuneration	Exercise of options	Purchased	Sold	Held at 31 Dec 19
Mr E Streitberg	21,225,409	-	-	-	-	21,225,409
Ms E Howell	294,000	-	-	-	-	294,000
Mr R Willes	132,000	-	-	-	-	132,000
Mr S McDermott	100,000	-	-	-	-	100,000
Mr A Forcke	1,000,000	-	-	-	-	1,000,000
Mr K Waddington	-	-	-	-	-	-

Analysis of share based payments - ESOP

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 19	Granted as remuneration	Exercised	Lapsed / Forfeited	Held at 31 Dec 19	Vested during the year	Vested and exercisable
Mr S McDermott	600,000	300,000	-	(300,000)	600,000	300,000	600,000
Mr A Forcke	300,000	300,000	-	-	600,000	300,000	600,000
Mr K Waddington	600,000	300,000	-	(300,000)	600,000	300,000	600,000

Options granted during the period have an expiry date of 31 December 2021, an exercise price of $0.40 and fair value of $0.11. Options lapsed/forfeited during the year were options granted on 3 October 2017.

No options have been granted since the end of the financial year. All options were provided at no cost to the recipients and expire on the earlier of their expiry date or 30 days after the termination of the individual's employment. All options vested immediately and were exercisable from grant date. No terms of options granted as remuneration 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 remuneration.

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 of Buru Energy Limited for the financial year ended 31 December 2019 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

Jane Bailey

Jane Bailey
Partner
Perth
13 March 2020

in thousands of AUD	Note	31 December 2019	31 December 2018
Current Assets			
Cash and cash equivalents	12a	32,417	64,011
Trade and other receivables	10	964	2,677
Inventories	11	3,610	2,376
Total Current Assets		**36,991**	**69,064**
Non-Current Assets			
Oil and gas assets	6	41,966	31,398
Exploration and evaluation expenditure	7	720	6,036
Property, plant and equipment	8	3,552	2,507
Financial assets	9	53	40
Total Non-Current Assets		**46,291**	**39,981**
Total Assets		**83,282**	**109,045**
Current Liabilities			
Trade and other payables	15	5,475	3,650
Lease liabilities	22	1,210	-
Loans and borrowings	16	2,000	3,000
Provisions	17	1,570	1,980
Total Current Liabilities		**10,255**	**8,630**
Non-Current Liabilities			
Lease Liabilities	22	964	-
Loans and borrowings	16	-	2,000
Provisions	17	4,635	4,091
Total Non-Current Liabilities		**5,599**	**6,091**
Total Liabilities		**15,854**	**14,721**
Net Assets		**67,428**	**94,324**
Equity			
Contributed equity		271,857	271,857
Reserves		1,094	919
Accumulated losses		(205,523)	(178,452)
Total Equity		**67,428**	**94,324**

The Group has initially applied AASB 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated at the date of initial application (note 22).

The notes on pages 25 to 44 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income or Loss

For the year ended 31 December 2019

in thousands of AUD	**Note**	**31 December 2019**	**31 December 2018**
Revenue	2	13,776	19,877
Cost of sales		(6,226)	(10,417)
Amortisation of oil and gas assets	6	(5,476)	(5,365)
Gross profit / (loss)		**2,074**	**4,095**
Gain on sale of oil and gas assets	6	-	36,337
Exploration and evaluation expenditure		(16,879)	(4,904)
Impairment of exploration expenditure	7	(6,036)	-
Impairment of inventories	11	(907)	(157)
Corporate and administrative expenditure	3	(5,870)	(5,779)
Share based payment expenses	18	(638)	(481)
Movement in fair value of financial assets		13	-
Operating profit / (loss)		**(28,243)**	**29,111**
Finance income		1,201	1,031
Finance expense		(492)	(405)
Net finance income / (expense)	4	**709**	**626**
Profit / (loss) before tax		**(27,534)**	**29,737**
Income tax expense	5	-	-
Total comprehensive income / (loss)		**(27,534)**	**29,737**
Earnings / (loss) per share and diluted earnings / (loss) per share (cents)	14	**(6.37)**	**6.89**

The Group has initially applied AASB 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated at the date of initial application (note 22).

The notes on pages 25 to 44 are an integral part of these consolidated financial statements.

in thousands of AUD	Share capital $	Share based payment reserve $	Retained losses $	Total equity $
Balance as at 1 January 2018	**271,803**	**1,185**	**(208,898)**	**64,090**
Comprehensive income for the period				
Income for the period	-	-	29,737	**29,737**
Total comprehensive income for the period	-	-	**29,737**	**29,737**
Transactions with owners recorded directly in equity				
Issue of ordinary shares on conversion of options	16	-	-	**16**
Share based payment transactions	-	481	-	**481**
Share options exercised or forfeited	38	(747)	709	**-**
Total transactions with owners recorded directly in equity	**54**	**(266)**	**709**	**497**
Balance as at 31 December 2018	**271,857**	**919**	**(178,452)**	**94,324**

in thousands of AUD	Share capital $	Share based payment reserve $	Retained losses $	Total equity $
Balance as at 1 January 2019	**271,857**	**919**	**(178,452)**	**94,324**
Comprehensive loss for the period				
Loss for the period	-	-	(27,534)	**(27,534)**
Total comprehensive loss for the period	**-**	**-**	**(27,534)**	**(27,534)**
Transactions with owners recorded directly in equity				
Share based payment transactions	-	638	-	**638**
Share options exercised or forfeited	-	(463)	463	**-**
Total transactions with owners recorded directly in equity	**-**	**175**	**463**	**638**
Balance as at 31 December 2019	**271,857**	**1,094**	**(205,523)**	**67,428**

The Group has initially applied AASB 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated at the date of initial application (note 22).

The notes on pages 25 to 44 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

in thousands of AUD		31 December 2019	31 December 2018
Cash Flows From Operating Activities			
Cash receipts from sales		15,384	18,269
Payments to suppliers and employees		(10,534)	(14,393)
Payments for exploration and evaluation		(18,115)	(5,745)
Net cash outflow from operating activities	12b	**(13,265)**	**(1,869)**
Cash Flows From Investing Activities			
Interest received		1,539	677
Receipts from sale of / (payments for) plant and equipment		(300)	44
Payments for exploration and evaluation	7	(720)	-
Payments for oil and gas development		(14,384)	(12,810)
Receipt from sale of interest in Ungani Oilfield		-	64,000
Net cash inflow / (outflow) from investing activities		**(13,865)**	**51,911**
Cash Flows From Financing Activities			
Proceeds from issue of share capital		-	15
Payment of lease liabilities		(1,090)	-
Repayment of loan and interest	16	(3,225)	(2,875)
Net cash outflow from financing activities		**(4,315)**	**(2,860)**
Net increase / (decrease) in cash and cash equivalents		(31,445)	47,182
Cash and cash equivalents at the beginning of the period		64,011	16,859
Effect of exchange rate changes on cash and cash equivalents		(149)	(30)
Cash and cash equivalents at end of the period	12a	**32,417**	**64,011**

The Group has initially applied AASB 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated at the date of initial application (note 22).

The notes on pages 25 to 44 are an integral part of these consolidated financial statements.

Basis of Preparation

Buru Energy Limited (Buru Energy or the Company) is a for profit company domiciled in Australia. The address of the Company's registered office is Level 2, 16 Ord Street, West Perth, Western Australia. The consolidated financial statements of the Company as at, and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in jointly controlled entities. The Group is primarily involved in oil and gas exploration and production in the Canning Basin in the Kimberley region of northwest Western Australia.

This section sets out the basis upon which the Group's financial statements are prepared as a whole. Significant accounting policies and key judgements and estimates of the Group that summarise the measurement basis used and assist in understanding the financial statements are described in the relevant note to the financial statements or are otherwise provided in this section. 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 13 March 2020. The accounting policies have been applied consistently by Group entities to all periods presented in these consolidated financial statements. The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Financial assets are measured at fair value; and
- Share-based payments are measured at fair value.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the Consolidated Financial Statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Basis of Consolidation

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. 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.

Functional and Presentation Currency

These consolidated financial statements are presented in Australian dollars, which is each of the Group entities' functional 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.

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:

- Note 5 – Recognition of tax losses
- Note 6 – Oil and gas assets
- Note 7 – Exploration and evaluation expenditure
- Note 17 – Provisions
- Note 18 – Measurement of share-based payments
- Note 22 – Leases

Results for the Year

This section explains the results and performance of the Group including additional information about those individual line items in the financial statements most relevant in the context of the operations of the Group, including accounting policies that are relevant for understanding the items recognised in the financial statements and an analysis of the Group's result for the year by reference to key areas, including operating segments, revenue, expenses, employee costs, taxation and earnings per share.

1. Segment Information

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, Chief Financial Officer and other executives 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 Chief Financial Officer 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.

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. The following summary describes the operations in each of the Group's reportable operating segments:

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

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

Profit or loss	**Oil**		**Gas**		**Exploration**		**Unallocated**		**Total**	
in thousands of AUD	**Dec 19**	**Dec 18**	**Dec 19**	**Dec 18**	**Dec 19**	**Dec 18**	**Dec 19**	**Dec 18**	**Dec 19**	**Dec 18**
External revenues	13,776	19,877	-	-	-	-	-	-	**13,776**	**19,877**
Cost of sales	(6,226)	(10,417)	-	-	-	-	-	-	**(6,226)**	**(10,417)**
Amortisation of oil and gas assets	(5,476)	(5,365)	-	-	-	-	-	-	**(5,476)**	**(5,365)**
Gross Profit / (Loss)	**2,074**	**4,095**	**-**	**-**	**-**	**-**	**-**	**-**	**2,074**	**4,095**
Exploration and evaluation expenditure	-	-	-	-	(16,879)	(4,904)	-	-	**(16,879)**	**(4,904)**
Impairment of exploration and evaluation expenditure	-	-	(6,036)	-	-	-	-	-	**(6,036)**	**-**
Gain on sale of interest in oil and gas assets	-	36,337	-	-	-	-	-	-	**-**	**36,337**
Impairment of inventories	-	-	-	-	(907)	(157)	-	-	**(907)**	**(157)**
Depreciation expense	-	-	-	-	-	-	(1,403)	(323)	**(1,403)**	**(323)**
Corporate and administrative expenditure	-	-	-	-	-	-	(4,467)	(5,456)	**(4,467)**	**(5,456)**
Share based payment expenses	-	-	-	-	-	-	(638)	(481)	**(638)**	**(481)**
Movement in fair value of financial assets	-	-	-	-	-	-	13	-	**13**	**-**
EBIT	**2,074**	**40,432**	**(6,036)**	**-**	**(17,786)**	**(5,061)**	**(6,495)**	**(6,260)**	**(28,243)**	**29,111**
Finance income	-	-	-	-	-	-	1,201	1,031	**1,201**	**1,031**
Finance expense	-	-	-	-	-	-	(492)	(405)	**(492)**	**(405)**
Net finance income / (expense)	-	-	-	-	-	-	709	626	**709**	**626**
Reportable segment profit / (loss) before tax	**2,074**	**40,432**	**-**	**-**	**(17,786)**	**(5,061)**	**(5,786)**	**(5,634)**	**(27,534)**	**29,737**

The Group has initially applied AASB 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated at the date of initial application (note 22).

1. Segment Information (continued)

Total Assets	**Oil**		**Gas**		**Exploration**		**Unallocated**		**Total**	
in thousands of AUD	**Dec 19**	**Dec 18**	**Dec 19**	**Dec 18**	**Dec 19**	**Dec 18**	**Dec 19**	**Dec 18**	**Dec 19**	**Dec 18**
Current assets	1,199	1,947	-	-	2,411	2,038	33,381	65,079	**36,991**	**69,064**
Oil and gas assets	41,966	31,398	-	-	-	-	-	-	**41,966**	**31,398**
Exploration and evaluation assets	-	-	-	6,036	720	-	-	-	**720**	**6,036**
Property, plant and equipment	-	-	-	-	-	-	3,552	2,507	**3,552**	**2,507**
Financial assets	-	-	-	-	-	-	53	40	**53**	**40**
Total Assets	**43,165**	**33,345**	**-**	**6,036**	**3,131**	**2,038**	**36,986**	**67,626**	**83,282**	**109,045**
Capital Expenditure	**15,927**	**6,675**	**-**	**-**	**720**	**-**	**140**	**86**	**16,787**	**6,761**
Total Liabilities										
Current liabilities	4,330	3,070	-	-	2,412	1,650	3,513	3,910	**10,255**	**8,630**
Lease liabilities (Non-current)	964	-	-	-	-	-	-	-	**964**	**-**
Loans and borrowings (Non-current)	-	-	-	-	-	-	-	2,000	**-**	**2,000**
Provisions (Non-current)	1,381	1,224	-	-	3,016	2,704	238	163	**4,635**	**4,091**
Total Liabilities	**6,675**	**4,294**	**-**	**-**	**5,428**	**4,354**	**3,751**	**6,073**	**15,854**	**14,721**

The Group has initially applied AASB 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated at the date of initial application (note 22).

2. Revenue

in thousands of AUD	**31 Dec 2019**	**31 Dec 2018**
Sales of crude oil	13,265	19,877
Other revenue	511	-
	13,776	19,877

Revenue is recognised when a customer obtains control of the goods of services. Under the existing contract, the sale of oil is recognised on Free on Board (FOB) terms, whereby the customer obtains control of the oil as it is loaded onto the vessel. Revenue from the sale of crude oil in the course of ordinary activities is recognised in the income statement at the consideration in the contract received or receivable. The price received FOB Wyndham represents the realised Brent linked oil price less the buyer's fixed marine transport discount. Contract terms for crude sales allow for a final price adjustment after the date of sale, based on average Brent Platts in the month the crude is sold and final volume. The adjustment between the provisional and final price is separately disclosed as other revenue. Payment terms for invoices are seven days from the Bill of Lading date.

3. Corporate and Administrative Expenditure

in thousands of AUD	**31 Dec 2019**	**31 Dec 2018**
Personnel and associated expenses	3,221	2,970
Office and other administration expenses	2,649	2,809
	5,870	5,779

The above expense excludes share-based payments disclosed at note 18.

4. Net Finance Income / (Expense)

in thousands of AUD	31 Dec 2019	31 Dec 2018
Finance income		
Interest income on bank deposits and receivables	1,201	1,031
Finance expense		
Interest expense on borrowings (note 16)	(225)	(375)
Interest expense on lease liabilities	(118)	-
Net foreign exchange loss	(149)	(30)
	(492)	(405)
Net finance income / (expense) recognised in profit or loss	709	626

Finance income comprises interest income on funds invested (including financial assets). Interest income is recognised as it accrues in profit or loss, using the effective interest method. 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.

5. Taxation

in thousands of AUD	31 Dec 2019	31 Dec 2018
Current income tax		
Current income tax charge	-	-
Adjustments in respect of previous current income tax	-	-
	-	-
Deferred income tax		
Tax relating to origination and reversal of temporary differences	-	-
	-	-
Total income tax expense reported in equity	-	-
Numerical reconciliation between tax expense and pre-tax accounting profit		
Accounting profit / (loss) before tax	(27,534)	29,737
Income tax (expense) / benefit using the domestic corporation tax rate of 30%	8,260	(8,921)
(Increase) / decrease in income tax due to:		
Non-deductible expenses	(194)	(166)
Temporary differences and tax losses not brought to account as a DTA	(8,066)	-
Tax losses utilised	-	9,087
Income tax benefit / (expense) on pre-tax loss	-	-

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.

5. Taxation (continued)

Unrecognised net deferred tax assets

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

in thousands of AUD	31 Dec 2019	31 Dec 2018	Movement
Deferred tax assets			
Business related costs	3	4	(1)
Accruals	37	32	5
Provisions	1,861	1,821	40
Development expenditure	214	763	(549)
Lease liabilities	652	-	652
Tax losses	42,602	35,941	6,661
PRRT	-	128,710	(128,710)
	45,369	167,271	(121,902)
Deferred tax liabilities			
Exploration expenditure	-	(1,811)	1,811
Property, plant and equipment	(328)	(447)	119
Investments in listed entities	(39)	(36)	(3)
Prepayments	-	(2)	(2)
Rehabilitation	(431)	(367)	(64)
Lease assets	(616)	-	(616)
	(1,414)	(2,663)	1,249
Net DTA not brought to account	43,955	164,608	(120,653)

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. In accordance with the group's accounting policies for deferred taxes, 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 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 yet probable that future taxable profit will be available against which the Group can utilise the benefits.

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.

5. Taxation (continued)

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.

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.

6. Oil and Gas Assets (Ungani Oilfield)

in thousands of AUD	**31 Dec 2019**	**31 Dec 2018**
Carrying amount at beginning of the period	31,398	55,646
Carrying value of oil and gas assets sold	-	(27,663)
Development expenditure	15,927	6,675
Transfer from property, plant and equipment	117	2,105
Amortisation expense	(5,476)	(5,365)
Carrying amount at the end of the period	41,966	31,398

In the prior year on 21 May 2018, Buru Energy announced that Roc Oil (Canning) Pty Limited (Roc Oil) had purchased a 50% interest in the Ungani production licences L20 and L21 (the Ungani Oilfield) for a total cash payment of $64,000,000. The Company's interest in the Ungani Oilfield before the sale had a carrying value of $55,326,000 for 100%, or $27,663,000 for the 50% interest sold. The 50% interest was sold for consideration of $64,000,000 resulting in a gain on partial sale of oil and gas assets of $36,337,000.

Oil and gas assets are measured at cost less amortisation and impairment losses. The assets' useful lives are reviewed, and adjusted if appropriate, at each reporting date. The carrying amount of oil and gas assets is reviewed bi-annually. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and included in the profit or loss. Oil and gas assets are amortised over the life of the area according to the rate of depletion of the proved and probable hydrocarbon reserves. When no reserves are certified, oil and gas assets are amortised on a straight line basis over its estimated useful life until such time when reserves are certified. Retention of petroleum assets is subject to meeting certain work obligations/commitments.

The estimated quantities of proved and probable hydrocarbon reserves and resources reported by the group are integral to the calculation of amortisation (depletion) 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. The Ungani Oilfield does not currently have certified reserves and is therefore currently being amortised on a straight line basis over a 10 year period.

7. Exploration and Evaluation Expenditure

in thousands of AUD	31 Dec 2019	31 Dec 2018
Carrying amount at beginning of the period	6,036	6,363
Exploration assets acquired [1]	720	-
Impairment of exploration expenditure [2]	(6,036)	-
Movement in rehabilitation provision for exploration assets	-	(327)
Carrying amount at the end of the period	720	6,036

[1] *The Company's acquisition to increase its interest in EP 457 and EP 458 from 37.5% to 60.0% from a subsidiary of Mitsubishi Corporation, as announced to the ASX on 10 December 2018, for $720,000 reached settlement in March 2019.*

[2] *The regulations to cover future fraccing activity are still being drafted by the Western Australian Government and there is currently no planned material exploration expenditure on the unconventional gas resources at Yulleroo until the current regulatory uncertainty is resolved. Therefore, an impairment expense of $6,036,000 against capitalised exploration and evaluation expenditure in relation to the Yulleroo Gasfield unconventional gas resources has been recorded as at the end of the reporting period.*

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:

- such expenditure is expected to be recovered through successful development and commercial exploitation of the area of interest or, alternatively, by its sale; or
- 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:

- 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
- substantive expenditure on further exploration for and evaluation of resources in the specific area is not budgeted or planned; or
- 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
- sufficient data exists 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. When a discovered oil or gas field enters the development phase the accumulated exploration and evaluation expenditure is transferred to oil and gas assets. 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.

8. Property, Plant and Equipment (PPE)

in thousands of AUD	Plant and equipment	Right-of-use assets	Other	Cultural assets	Intangible assets	Total
Cost						
Carrying amount at 1 Jan 2018	5,586	-	1,703	877	897	9,063
Additions	86	-	-	-	-	86
Disposals	(108)	-	-	-	-	(108)
Transfers	(2,105)	-	-	-	-	(2,105)
Balance at 31 Dec 2018	3,459	-	1,703	877	897	6,936
Carrying amount at 1 Jan 2019	3,459	-	1,703	877	897	6,936
Adjustment on applying AASB 16	-	3,227	-	-	-	3,227
Additions	104	36	-	-	-	140
Disposals	(1,904)	-	(1,698)	-	(897)	(4,499)
Transfers	(253)	-	-	-	-	(253)
Balance at 31 Dec 2019	1,406	3,263	5	877	-	5,551
Depreciation						
Carrying amount at 1 Jan 2018	(2,438)	-	(1,640)	-	(868)	(4,946)
Depreciation for the period	(275)	-	(19)	-	(29)	(323)
Disposal	73	-	-	-	-	73
Transfer	767	-	-	-	-	767
Balance at 31 Dec 2018	(1,873)	-	(1,659)	-	(897)	(4,429)
Carrying amount at 1 Jan 2019	(1,873)	-	(1,659)	-	(897)	(4,429)
Depreciation for the period	(185)	(1,210)	(10)	-	-	(1,405)
Disposal	1,138	-	1,664	-	897	3,699
Transfer	136	-	-	-	-	136
Balance at 31 Dec 2019	(784)	(1,210)	(5)	-	-	(1,999)
Carrying amounts						
At 31 December 2018	1,586	15	44	877	-	2,507
At 31 December 2019	622	2,053	-	877	-	3,552

Items of PPE are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Gains and losses on disposal of an item of PPE are determined by comparing the proceeds from disposal with the carrying amount of PPE and are recognised net in profit or loss. 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 PPE are recognised in profit or loss as incurred. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of PPE, 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
- right-of-use assets — 1 – 4 years
- other — 3 – 20 years
- intangibles — 5 years
- cultural assets — 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.

8. Property, Plant and Equipment (PPE) (continued)

During the year, the Group has applied AASB 16 using the modified retrospective approach, and as a result, a right-of-use asset has been included in property, plant and equipment with $3,227,000 recognised as at 1 January 2019. The right-of-use asset amounted to $2,053,000 as at 31 December 2019.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist. The Group's adoption of the new accounting standard AASB 16 *Leases* is disclosed in note 22.

9. Financial Assets

in thousands of AUD	31 Dec 2019	31 Dec 2018
Non-Current		
Financial assets - FVTPL	53	40
	53	40

The Group's financial assets fair value through profit or loss (FVTPL) comprise of ASX listed shares held in New Standard Energy Limited.

The Group's exposure to market risk and impairment losses related to financial assets are disclosed in note 26.

10. Trade and Other Receivables

in thousands of AUD	31 Dec 2019	31 Dec 2018
Accrued income	-	1,609
Interest receivable	70	409
Joint operation receivables	-	18
GST receivable	296	232
Total trade receivables	366	2,268
Prepayments	221	121
Other receivables	377	288
Total	964	2,677

The Group's exposure to credit and currency risks and impairment losses related to trade receivables are disclosed in note 26.

11. Inventories

in thousands of AUD	31 Dec 2019	31 Dec 2018
Materials and consumables at net realisable value	2,411	2,038
Petroleum products at cost	1,199	338
	3,610	2,376

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:

- 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
- Petroleum products, comprising extracted crude oil stored in tanks and pipeline systems, are valued using the full absorption cost method.

Materials and consumables are accounted for on a FIFO basis. During the year, the Group tested its inventories for impairment and wrote down materials and consumables inventories to their net realisable value, which resulted in a loss of $907,000 (2018: $157,000).

12. (a) Cash and Cash Equivalents

in thousands of AUD	31 Dec 2019	31 Dec 2018
Bank balances	2,472	1,655
Term deposits available at call	29,945	62,356
Cash and cash equivalents in the statement of cash flows	32,417	64,011

The Group's exposure to interest rate risk and sensitivity analysis for financial assets is disclosed in note 26.

(b) Reconciliation of Cash Flows from Operating Activities

in thousands of AUD	Note	31 Dec 2019	31 Dec 2018
Cash flows from operating activities			
Income / (Loss) for the period		(27,534)	29,737
Adjustments for:			
Depreciation	8	1,405	323
Amortisation on development expenditure	6	5,476	5,365
Impairment on inventories	11	907	157
Gain on sale of interest in oil and gas assets	6	-	(36,337)
Impairment losses on exploration expenditure		6,036	-
(Gain) / loss on asset disposal		800	(9)
Share based payment expenses	18	638	481
Net finance (income) / costs	4	(709)	(626)
Operating loss before changes in working capital and provisions		(12,981)	(3,314)
Changes in working capital			
Change in trade and other receivables		1,459	(1,125)
Change in trade and other payables		491	(1,189)
Change in inventories		(2,141)	1,021
Change in provisions		(80)	333
Change in financial assets		(13)	-
Cash used in operating activities		(284)	(960)
Net cash outflow from operating activities		(13,265)	(1,869)

13. Capital and Reserves

Share capital

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

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.

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

14. Earnings / (Loss) Per Share

in thousands of AUD	31 Dec 2019	31 Dec 2018
Earnings / (loss) attributable to ordinary shareholders	(27,534)	29,737

Basic and diluted earnings / (loss) per share
Weighted average number of ordinary shares

	31 Dec 2019 No.	31 Dec 2018 No.
Issued ordinary shares at beginning of the period	432,074,241	432,021,333
Effect of shares issued	-	30,668
Weighted average number of ordinary shares at the end of the period	432,074,241	432,052,001

The Group presents basic and diluted earnings or loss per share (EPS or LPS) data for its ordinary shares. Basic EPS or LPS 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. Diluted EPS or LPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

The Company's potential ordinary shares, being 10,750,000 options granted, are not considered dilutive as the options were 'out of the money' as at 31 December 2019.

15. Trade and Other Payables

in thousands of AUD	31 Dec 2019	31 Dec 2018
Trade payables	1,443	818
Accruals	2,921	2,559
Joint operation cash calls received in advance	783	-
Other payables	328	273
	5,475	3,650

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

16. Loans and Borrowings

in thousands of AUD	31 Dec 2019	31 Dec 2018
Borrowings at beginning of the year	5,000	7,500
Interest expense	225	375
Repayment to Alcoa	(3,225)	(2,875)
Loan at the end of the year	2,000	5,000

in thousands of AUD	31 Dec 2019	31 Dec 2018
Current	2,000	3,000
Non-current	-	2,000
	2,000	5,000

Loans and borrowings are initially recognised at fair value less transaction costs and are subsequently carried at amortised cost. The Group's exposure to currency and liquidity risk related to loans and borrowings is disclosed in note 26. All existing borrowings relate to the amount payable to Alcoa under a legacy gas sales agreement. The debt is unsecured and subject to an agreed interest rate of 5%. The remaining liability of $2,000,000 is payable on or before 31 December 2020.

17. Provisions

in thousands of AUD	31 Dec 2019	31 Dec 2018
Current		
Provision for annual leave	881	729
Provision for long-service leave	166	181
Provision for site restoration	523	1,070
	1,570	1,980
Non-Current		
Provision for long-service leave	238	163
Provision for site restoration	4,397	3,928
	4,635	4,091

Movements in the site restoration provision

in thousands of AUD	31 Dec 2019	31 Dec 2018
Opening balance	4,998	6,206
Provision used during the period	(791)	(100)
Revaluation of provision during the period	713	(1,108)
Balance at the end of the period	4,920	4,998

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.

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 DWER and DMIRS. 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. Changes to estimated future costs are recognised in the statement of financial position by adjusting the rehabilitation asset and liability. The rehabilitation is expected to continue to occur progressively.

17. Provisions (continued)

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.

18. Share-based Payments

Fair value expensed in thousands of AUD	31 Dec 2019	31 Dec 2018
Employee Share Option Plan expense	638	481
	638	481

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. 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. The fair value of share 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.

Employee Share Option Plan (ESOP)

At the 2018 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
5,950,000	$0.25	$0.40	89%	Nil	1.5%	31 Dec 21	$0.11

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 2019	0.42	9,150,000
Granted 15 April 2019	0.40	5,950,000
Lapsed during the period ended 31 December 2019	0.31	(4,000,000)
Lapsed during the period ended 31 December 2019	0.50	(250,000)
Lapsed during the period ended 31 December 2019	0.40	(100,000)
Outstanding as at 31 December 2019	0.45	10,750,000

The unlisted share options outstanding as at 31 December 2019 have a weighted average exercise price of $0.45 (Dec 2018: $0.42), and a weighted average contractual life of 1.5 years (Dec 2018: 1.9 years).

19. Group Entities

Parent entity	Country of incorporation	Ownership interest	Ownership interest
Buru Energy Limited	Australia		
Subsidiaries		**31 Dec 2019**	**31 Dec 2018**
Terratek Drilling Tools Pty Limited *	Australia	0%	100%
Royalty Holding Company Pty Limited	Australia	100%	100%
Buru Energy (Acacia) Pty Limited *	Australia	0%	100%
Buru Operations Pty Limited	Australia	100%	100%
Noonkanbah Diamonds Pty Ltd	Australia	100%	100%
Buru Fitzroy Pty Limited	Australia	100%	100%

** Deregistered during the year ended 31 December 2019*

Buru Energy Limited is the head entity of the tax consolidated group and all subsidiaries are members of the tax consolidated group.

20. Parent Entity Disclosures

As at, and throughout the year ended 31 December 2019 the parent company of the Group was Buru Energy Limited.

in thousands of AUD	Company 12 months ended 31 Dec 2019	Company 12 months ended 31 Dec 2018
Result of the parent entity		
Total comprehensive profit / (loss) for the period	(26,323)	30,113
Financial position of the parent entity at year end		
Current assets	36,985	69,062
Total assets	81,468	107,548
Current liabilities	8,441	16,004
Total liabilities	14,040	22,095
Total equity of the parent entity at year end		
Share capital	271,857	271,857
Reserves	1,094	907
Accumulated losses	(205,523)	(187,311)
Total equity	67,428	85,453

21. Joint Operations

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. 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.

The consolidated entity has an interest in the following joint operations as at 31 December 2019 whose principal activities were oil and gas exploration, development and production.

Permit/Joint Operation	December 2019 Beneficial Interest	December 2018 Beneficial Interest	Operator	Country
L20	50.00%	50.00%	Buru Energy Ltd	Australia
L21	50.00%	50.00%	Buru Energy Ltd	Australia
EP 391	100.00%	50.00%	Buru Energy Ltd	Australia
EP 428	100.00%	50.00%	Buru Energy Ltd	Australia
EP 436	100.00%	50.00%	Buru Energy Ltd	Australia
EP 457	60.00%	60.00%	Buru Fitzroy Pty Ltd	Australia
EP 458	60.00%	60.00%	Buru Fitzroy Pty Ltd	Australia

22. Leases

The Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under AASB 117 and related interpretation. Upon transition, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied AASB 16 *Leases* only to contracts that were previously identified as leases under AASB 117 Leases and IRFIC 4 *Determining whether an arrangement contains a lease*. In respect to the Group, the impact on initial adoption has been as follows:

- The leases for the Company's corporate office at West Perth and its office / warehouse facility in Broome have been recognised on the balance sheet.
- The Group's share of the lease for a crude oil storage tank at Wyndham Port has been recognised on the balance sheet.
- Leases for vehicles have been recognised on the balance sheet.

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

	1 January 2019
Operating lease commitments disclosed at 31 December 2018	3,643
Less practical expedients applied	(319)
Lease liabilities recognised on 1 January 2019 under AASB 16	3,324
Discounted using incremental borrowing rate	(97)
Total lease liabilities recognised under AASB 16 at 1 January 2019	3,227

The Group's accounting policy under AASB 16 as lessee is as follows:
For any new contracts entered into as a lessee, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

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

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

22. Leases (continued)

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

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

23. Capital and Other Commitments

in thousands of AUD	31 Dec 2019	31 Dec 2018
Exploration expenditure commitments		
Contracted but not yet provided for and payable:		
Within one year	333	3,333
One year later and no later than five years	3,467	467
	3,800	3,800

The commitments are required in order to maintain the petroleum exploration permits in which the Group has interests in good standing with the Department of Mines, Industry Regulation & Safety (DMIRS), and these obligations may be varied from time to time, subject to approval by DMIRS. The commitments within one year above primarily relate to exploration commitments on EP 457 and EP 458.

24. Contingencies

There were no material contingent liabilities or contingent assets for the Group as at 31 December 2019 (31 Dec 2018: nil).

25. Related Parties

Key management personnel compensation
The key management personnel compensation comprised:

in AUD	31 Dec 2019	31 Dec 2018
Short term employee benefits	1,829,514	1,569,258
Post-employment benefits	168,683	141,820
Termination benefits	-	204,000
Long term employee benefits	31,435	18,679
Share-based payments	98,037	55,970
	2,127,669	1,989,727

25. Related Parties (continued)

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 16 to 19.

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.

26. Financial Risk Management

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 Dec 2019**	**31 Dec 2018**
Cash and cash equivalents and term deposits at call	12a	32,417	64,011
Trade receivables	10	366	2,268
		32,783	66,279

The Group's cash and cash equivalents and term deposits at call are held with bank and financial institution counterparties, which are rated at least AA-, based on rating agency Fitch Ratings.

Trade and other receivables include accrued income on sales of Ungani crude, accrued interest receivable from Australian accredited banks, JV receivables and tax amounts receivable from the Australian Taxation Office. The Group has elected to measure loss allowances for trade and other receivables at an amount equal to the 12 month Expected Credit Loss (ECL). When determining the credit risk of a financial asset, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both the quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, including forward-looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when the financial asset is more than 90 days past due.

As at 31 December 2019, no receivables were more than 30 days past due. All Ungani sales were made to Trafigura Pte Ltd (Singapore) and Petro-Diamond Pte Ltd (Singapore) and to date the Group has always received full consideration for these sales within seven days and there is no reason to believe that this will not continue going forward. No receivables are considered to have a material credit risk.

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:

in thousands of AUD	**31 Dec 2019**		**31 Dec 2018**	
	Less than 1 year	1 - 5 years	Less than 1 year	1 - 5 years
Alcoa liability	2,000	-	3,000	2,000
Lease liabilities	1,210	964	-	-
Trade and other payables	5,475	-	3,650	-
	8,685	964	6,650	2,000

The borrowings from Alcoa of Australia Limited are subject to an agreed interest rate of 5% on the outstanding balances payable annually in arrears (Note 16).

26. Financial Risk Management (continued)

Market risk

Market risk is the risk that changes in market prices, such as currency 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 Group is exposed to currency risk on sales that are denominated in a currency other than the functional currency of the Group (AUD). All sales of crude oil are denominated in US dollars. The Group does not hedge its foreign currency exposure.

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

	31 Dec 2019		31 Dec 2018	
in thousands	**AUD**	**USD**	**AUD**	**USD**
Cash and cash equivalents	15	10	75	53
Accrued income	-	-	1,609	1,126
Gross balance sheet exposure	15	10	1,684	1,179

The average exchange rate from AUD to USD during the period was AUD 1.0000 / USD 0.6952 (Dec 2018: AUD 1.0000 / USD 0.7479). The reporting date spot rate was AUD 1.0000 / USD 0.7006 (Dec 2018: AUD 1.0000 / USD 0.7058). 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 $1,534,000 (Dec 2018: decreased profit after tax by $1,986,000). 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 $1,534,000 (Dec 2018: increased profit after tax by $1,986,000). This analysis assumes that all other variables remain constant.

Commodity price risk

The Group is exposed to commodity price fluctuations through the sale of Ungani crude at a fixed differential against the dated Brent crude. The Group does not hedge its commodity price exposure.

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

	31 Dec 2019		31 Dec 2018	
in thousands	**AUD**	**USD**	**AUD**	**USD**
Sales of crude oil	-	-	1,609	1,126
Gross balance sheet exposure	-	-	1,609	1,126

The average Brent Platts price for crude sold over the period was AUD 85/bbl (Dec 2018: AUD 88/bbl). A 10 percent strengthening of the dated Brent crude price over the period would have decreased the loss after tax for the financial period by $1,534,000. A 10 percent weakening of the dated Brent crude price over the period would have increased the loss after tax for the financial period by $1,534,000. 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 other than the loan to Alcoa which has a fixed interest rate. 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 with bank and financial institution counterparties and are available at call, therefore the fair value approximates the carrying amount.

26. Financial Risk Management (continued)

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

	Carrying amount	
in thousands of AUD	**31 Dec 2019**	**31 Dec 2018**
Fixed rate instruments		
Cash and cash equivalents with fixed interest	29,944	62,356
Total fixed interest bearing financial assets	29,944	62,356

	Carrying amount	
in thousands of AUD	**31 Dec 2019**	**31 Dec 2018**
Variable rate instruments		
Cash and cash equivalents with variable interest	2,473	1,655
Total variable interest bearing financial assets	2,473	1,655

Other market price risk

Equity price risk arises from equity securities held in other listed exploration companies. The Group monitors these financial assets on a regular basis including regular monitoring of ASX listed prices and ASX releases. The Group did not enter into any commodity derivative contracts during the year. The Group's equity investments are listed on the Australian Securities Exchange.

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 development activities.

The remaining liability of $2,000,000 payable to Alcoa under a legacy gas sales agreement is payable on or before 31 December 2020 (see note 16).

27. Changes in significant accounting policies

The Group has adopted all accounting standards and interpretations that had a mandatory application for this reporting period.

AASB 16 Leases

This new standard introduced three main changes:

- Enhanced guidance on identifying whether a contract contains a lease;
- A completely new leases accounting model for lessees that require lessees to recognise all leases on balance sheet, except for short-term lease and leases of low value assets; and
- Enhanced disclosures.
- The Group has initially adopted AASB 16 Leases from 1 January 2019.

AASB 16 was expected to result in almost all leases being recognised on the consolidated statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased asset) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

28. Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group does not plan to adopt these standards early. No amended standards and interpretations are expected to have a significant impact on the Group's consolidated financial statements.

29. Subsequent Events

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.

30. Auditors' Remuneration

	31 Dec 2019	31 Dec 2018
Audit services		
KPMG Australia: Audit and review of financial reports	80,000	81,000
KPMG Australia: Audit of Joint Venture reports	3,667	5,500
KPMG Australia: Audit of Traditional Owner Royalty Statements	5,000	5,000

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 21 to 44 and the Remuneration report in the Directors' report, set out on pages 16 to 19, 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 2019 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 Chief Financial Officer, for the year ended 31 December 2019.

3 The Directors draw attention 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
13 March 2020

Mr Robert Willes
Non-executive Director
Perth
13 March 2020

KPMG

Independent Auditor's Report

To the shareholders of Buru Energy Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Buru Energy Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the ***Group's*** financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and
- Complying with *Australian Accounting Standards* and the *Corporations Regulations 2001.*

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2019.
- 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 then ended.
- Notes including a summary of significant accounting policies.
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of oil and gas assets ($42 million)	
Refer to Note 6 Oil and gas assets (Ungani Oilfied)	
The key audit matter	**How the matter was addressed in our audit**

The assessment of the existence of impairment indicators relating to the Ungani oilfield asset was a key audit matter due to the significance of the asset balance (being 50% of the total assets) and the significant judgement required by us in evaluating the Group's impairment indicator assessment.
 	
The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of the Ungani oilfield asset. Therefore, the Group prepared an impairment indicator assessment applying a fair value less cost of disposal model (the model). The model was developed in-house using forward-looking assumptions which tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional audit effort and scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.
 	
We focused on the significant forward-looking assumptions the Group applied in their model, including:
 	
- Forecast oil price and foreign exchange rate.
- Forecast operating cash flows, production and sales volumes, and capital expenditure, which are based on historical performance adjusted for expected changes based on normalised historical performance.
- Discount rate.
 	
We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.
	Our procedures included:
	
	• Tested the design and implementation of the key control in the Group's assessment of impairment indicators such as board approval of the impairment indicator assessment performed;
	• Evaluated the appropriateness of the Group's assessment of impairment indicators against accounting standard requirements;
	• Compared the forecast operating cash flows, production and sales volumes and capital expenditure contained in the model to Board approved budgets;
	• Working with our valuation specialists, we assessed the macroeconomic assumptions, construct of the model and analysed the Group's discount rate against publicly available data of a group of comparable entities;
	• Considered the sensitivity of the model by varying key assumptions, such as forecast oil prices, foreign exchange rate and the discount rate, within a reasonably possible range to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures;
	• We used our knowledge of the Group and our industry experience to challenge the consistency of forecast operating cash flows, production and sales volumes and capital expenditure based on the Group's past performance. We also compared the following key inputs in the Group's model to published studies of industry trends and expectations, and considered differences for the Group's operations:
	  - Forecast oil prices
	  - Foreign exchange rate.
	• Obtained a copy of the Group's external contingent resources report to compare the forecast production quantities within the model; and
	• Recomputed the market capitalisation of the Group and compared this with the net asset value.

KPMG

Other Information

Other Information is financial and non-financial information in Buru Energy Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001.
- Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- Assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- To obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- To issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Buru Energy Limited for the year ended 31 December 2019 complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in pages 16 to 19 of the Directors' report for the year ended 31 December 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Jane Bailey

Jane Bailey

Partner

Perth

13 March 2020

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 2020 was as follows:

Category	Ordinary Shares	%	No of Holders	%
100,001 and Over	343,937,722	79.60	500	7.30
10,001 to 100,000	73,432,489	17.00	2,152	31.42
5,001 to 10,000	8,029,951	1.86	1,050	15.33
1,001 to 5,000	6,232,149	1.44	2,117	30.91
1 to 1,000	441,930	0.10	1,030	15.04
Total	**432,074,241**	**100.00**	**6,849**	**100.00**
Unmarketable Parcels	3,970,566	0.92	2,538	37.06

The 20 largest ordinary shareholders of the ordinary shares as at 29 February 2020 were as follows:

Rank	Name	Number of ordinary shares	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	45,816,762	10.60
2	BIRKDALE ENTERPRISES PTY LTD	35,056,269	8.11
3	CHEMCO PTY LTD	17,333,333	4.01
4	COOGEE RESOURCES PTY LTD	16,000,000	3.70
5	WANDJI INVESTMENTS LIMITED	9,572,400	2.22
6	MR ERIC CHARLES STREITBERG	8,398,003	1.94
7	MR STEPHEN HARRY JONES	6,495,804	1.50
8	ROCKET SCIENCE PTY LTD	5,450,000	1.26
9	BNP PARIBAS NOMINEES PTY LTD	4,995,738	1.16
10	AMK INVESTMENTS (WA) PTY LTD	4,758,972	1.10
11	NEWECONOMY COM AU NOMINEES PTY LIMITED	4,199,393	0.97
12	FLEXIPLAN MANAGEMENT PTY LTD	4,121,996	0.95
13	CITICORP NOMINEES PTY LIMITED	3,890,120	0.90
14	SINO PORTFOLIO INTERNATIONAL LIMITED	3,820,588	0.88
15	MAJOR DEVELOPMENT GROUP PTY LTD	3,707,890	0.86
16	JH NOMINEES AUSTRALIA PTY LTD	3,400,000	0.79
17	MAXIGOLD HOLDINGS PTY LTD	3,143,790	0.73
18	PARAMON HOLDINGS PTY LTD	3,000,000	0.69
19	TWINSOUTH HOLDINGS PTY LTD	3,000,000	0.69
20	CHARRINGTON PTY LTD	2,940,000	0.68
	Total twenty largest shareholders	**189,101,058**	**44.36**
	Balance of register	**242,973,183**	**55.64**
	Total register	**432,074,241**	**100.00**

The following interests were registered on the Company's register of Substantial Shareholders as at 29 February 2020:

Shareholder	Number of ordinary shares	%
Birkdale Enterprises Pty Ltd	35,056,269	8.11
Chemco Pty Ltd	33,333,333	7.71

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 2020 were as follows:

Permit	Type	Ownership	Operator
L6*	Production licence	100.00%	Buru Energy Ltd
L8	Production licence	100.00%	Buru Energy Ltd
L17	Production licence	100.00%	Buru Energy Ltd
L20	Production licence	50.00%	Buru Energy Ltd
L21	Production licence	50.00%	Buru Energy Ltd
EP 129*	Exploration permit	100.00%	Buru Energy Ltd
EP 391	Exploration permit	100.00%	Buru Energy Ltd
EP 428	Exploration permit	100.00%	Buru Energy Ltd
EP 431	Exploration permit	100.00%	Buru Energy Ltd
EP 436	Exploration permit	100.00%	Buru Energy Ltd
EP 457	Exploration permit	60.00%	Buru Fitzroy Pty Ltd
EP 458	Exploration permit	60.00%	Buru Fitzroy Pty Ltd

** Excluding Backreef Area*

Corporate Register

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

Address:	Level 2 16 Ord St West Perth WA 6005
Telephone:	+61 (08) 9215 1800
Email:	info@buruenergy.com
Website:	www.buruenergy.com

Share Registry: Link Market Services Limited

Address:	Level 12, QV1 Building 250 St Georges Terrace Perth WA 6000
Telephone:	1800 810 859 (within Australia) +61 1800 810 859 (outside Australia)
Email:	registrars@linkmarketservices.com.au
Website:	www.linkmarketservices.com.au

Auditors: KPMG

Address:	235 St George's Terrace Perth WA 6000

Stock Exchange: Australian Stock Exchange

Address:	Exchange Plaza 2 The Esplanade Perth WA 6000

ASX Code: BRU

www.buruenergy.com