



**Buru Energy Limited**  
**ABN 71 130 651 437**

**Interim Financial Report**  
**For the six months ended 30 June 2020**

**BURU ENERGY LIMITED**  
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**BURU ENERGY LIMITED  
DIRECTORS' REPORT  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The Directors present their report together with the condensed consolidated interim financial statements of the Group comprising Buru Energy Limited (Buru Energy or the Company) and its subsidiaries for the six month period ended 30 June 2020 and the auditor's independent review report thereon.

**Directors**

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

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

The Company Secretary is Mr Shane McDermott.

**Principal Activities**

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

**Review of Operations**

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

Ungani crude sales for the six month period totalled ~A\$12.6 million from ~219,000 bbls (Buru Energy's 50% share \$6.3 million from ~109,000 bbls) from three liftings by Petro-Diamond Singapore Pte Ltd (PDS) from CGL storage Tank 10 at Wyndham Port at an average FOB Wyndham price of ~A\$57/bbl. Sales for the comparative six months ended 30 June 2019 period totalled ~A\$15.1 million from ~167,000 bbls from three liftings at an average FOB Wyndham price of ~A\$89/bbl (Buru Energy's share ~\$7.5 million from ~83,500 bbls). The three liftings in 2020H1 are summarised as follows:

| Lifting Date | Buyer | Vessel        | Quantity Gross (bbls) | Revenue Gross (A\$) | Quantity Net (bbls) | Revenue Net (A\$) | FOB Price (A\$/BBL) |
|--------------|-------|---------------|-----------------------|---------------------|---------------------|-------------------|---------------------|
| 10 Jan 2020  | PDS   | ST Jacobi     | 77,972                | \$6.7M              | 38,986              | \$3.4M            | \$85.89             |
| 15 Mar 2020  | PDS   | SCF Yenisei   | 63,780                | \$2.9M              | 31,890              | \$1.4M            | \$45.06             |
| 13 May 2020  | PDS   | Maersk Malaga | 76,818                | \$3.0M              | 38,409              | \$1.5M            | \$38.46             |
| <b>TOTAL</b> |       |               | <b>218,570</b>        | <b>\$12.6M</b>      | <b>109,285</b>      | <b>\$6.3M</b>     | <b>\$57.30</b>      |

The received prices for the second and third liftings were significantly impacted by the decline in global crude oil prices which also led to the Joint Venture carefully evaluating whether a temporary suspension of production from Ungani would be prudent. A reduction in field operating costs and the partial recovery in global crude prices, meant production was continued throughout the period. The COVID-19 restrictions had no material effect on the Company's operational capability in line with the Company's operations being staffed locally, with no FIFO staff, and not in the proximity of any Kimberley remote Aboriginal communities.

A further lifting on 16 July of a total of ~75,000 bbls (gross) by the MT Magic Wand, was completed subsequent to the reporting period. This lifting was sold by the Joint Venture on a spot basis, and consistent with sales under previous offtake agreements, the price received FOB Wyndham was the realised average dated Brent oil price for the loading month, less the buyer's fixed marine transport discount. The Joint Venture plans to continue to sell Ungani crude on a spot basis while it continues to review the potential for entering into another longer term offtake agreement.

Production from the Ungani Oilfield for the six months ended 30 June 2020 totalled ~200,000 bbls (Buru Energy's 50% share ~100,000 bbls), at an average rate of ~1,100 bopd. Production for the comparative six months ended 30 June 2019 was 182,000 bbls (gross) at ~1,000 bopd. The average production rate included well offline time with ongoing minor well interventions and maintenance being carried out as required throughout the period. The northern wet season saw a number of short-term closures of the Ungani access road from normal wet season rainfall in January and February.

**BURU ENERGY LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020 (CONT'D)**

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The Ungani Joint Venture mobilised the Halliburton coil tubing unit to the Ungani 6H wellsite in early March to complete the operations that were suspended in late 2019. After a number of operational issues were encountered, it was agreed to suspend the Ungani 6H well operations and demobilise all equipment and contractors.

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

The Blina Oilfield remains shut-in while further technical evaluation is undertaken. Production testing and pressure data obtained in 2019 has indicated that there may be considerable conventional oil resources remaining in the field which could be produced through secondary recovery methods. Technical and commercial evaluation of this potential is currently being undertaken.

Exploration

The current process to introduce a partner into the Company's Canning Basin permits is progressing well with interested parties accessing a virtual data room and attending Buru's offices to access the digital data base. Given the amount of data available on Buru's basin wide acreage portfolio and the wide variety of opportunities on the acreage, a thorough evaluation of the data is taking interested parties some time, especially given the restrictions that the COVID-19 protocols have placed on companies. This process is now nearing completion, and planning is currently underway for the proposed 2021 exploration drilling campaign.

Additional technical work is also being undertaken on the prospect portfolio with a substantial seismic program planned for the 2021 dry season to assist with identifying targets for future drilling activity.

It has also been recently reported that a US independent company (Black Mountain Exploration) intends to undertake an extensive evaluation of the liquids-rich unconventional gas resources on its 100% owned EP 371 on the eastern side of the Canning Basin including drilling a number of wells and undertaking a hydraulic fracture stimulation (frac) program. Buru was previously a participant in, and operator of, EP 371 and safely undertook extensive fracs on the Valhalla North 1 and Asgard 1 wells prior to undertaking an acreage swap with Mitsubishi Corporation by which Mitsubishi acquired Buru's 50% interest in EP 371. Mitsubishi subsequently sold their 100% interest in the permit to Black Mountain Exploration. This planned program is a welcome and important development as the Canning Basin contains very substantial unconventional gas resources including Buru's 100% interest in the proven Yulleroo Gasfield.

Corporate

The Company quickly responded during the reporting period to the unprecedented global situation arising from the COVID-19 pandemic and the collapse in oil prices and subsequent effects on the global economy, by reducing corporate and operational costs where possible. The Company's corporate and office staff including the Executive Chairman and the Board had their remuneration reduced by between 20% and 75% throughout the June quarter with a further review planned to be undertaken in the September quarter to reflect the current economic and corporate circumstances and employee duty levels. Other non-personnel overheads have also been reduced to the full extent practicable.

As a result of the pandemic and decline in oil prices, and in common with other companies in the sector, the Company has conducted a detailed review of the recoverable amount of the Ungani Oilfield. This assessment indicated that, under current expected forward oil prices, the asset was unlikely to recover its pre-impairment carrying value in full and a non-cash impairment of \$16,250,000 has been recorded in the Consolidated Income Statement during the period. Refer to Note 4 for further details.

The Company has no material exploration permit obligations and has deferred all discretionary expenditure including non-essential capital expenditure on the Ungani Oilfield. These measures have ensured that the objective of preserving the Company's balance sheet has been met with \$25.4 million in cash and cash equivalents as at 30 June 2020.

**After Balance Date Events**

No significant events have occurred subsequent to balance date.

**BURU ENERGY LIMITED  
DIRECTORS' REPORT  
FOR THE SIX MONTHS ENDED 30 JUNE 2020 (CONT'D)**

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**Dividends**

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

**Auditor's Independence Declaration**

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

**Rounding Off**

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

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



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Mr Eric Streitberg  
Executive Chairman  
Perth  
2 September 2020



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Mr Robert Willes  
Non-Executive Director  
Perth  
2 September 2020



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

To the Directors of Buru Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Buru Energy Limited for the half-year ended 30 June 2020 there have been:

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

KPMG

Jane Bailey

KPMG

Jane Bailey  
*Partner*  
Perth  
2 September 2020

**BURU ENERGY LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT**  
**OF FINANCIAL POSITION AS AT 30 JUNE 2020**

| <i>in thousands of AUD</i>             | Note | 30 Jun 2020   | 31 Dec 2019   |
|--|------|---------------|---------------|
| <b>Current Assets</b>                  |      |               |               |
| Cash and cash equivalents              |      | 25,367        | 32,417        |
| Trade and other receivables            |      | 528           | 964           |
| Inventories                            |      | 2,447         | 3,610         |
| <b>Total Current Assets</b>            |      | <b>28,342</b> | <b>36,991</b> |
| <b>Non-Current Assets</b>              |      |               |               |
| Oil and gas assets                     | 4    | 24,793        | 41,966        |
| Exploration and evaluation expenditure | 5    | -             | 720           |
| Property, plant and equipment          |      | 2,902         | 3,552         |
| Financial assets                       |      | 53            | 53            |
| <b>Total Non-Current Assets</b>        |      | <b>27,748</b> | <b>46,291</b> |
| <b>Total Assets</b>                    |      | <b>56,090</b> | <b>83,282</b> |
| <b>Current Liabilities</b>             |      |               |               |
| Trade and other payables               |      | 1,015         | 5,475         |
| Lease liabilities                      |      | 1,175         | 1,210         |
| Loans and borrowings                   | 6    | 2,050         | 2,000         |
| Provisions                             | 7    | 1,792         | 1,570         |
| <b>Total Current Liabilities</b>       |      | <b>6,032</b>  | <b>10,255</b> |
| <b>Non-Current Liabilities</b>         |      |               |               |
| Lease liabilities                      |      | 389           | 964           |
| Provisions                             | 7    | 4,885         | 4,635         |
| <b>Total Non-Current Liabilities</b>   |      | <b>5,274</b>  | <b>5,599</b>  |
| <b>Total Liabilities</b>               |      | <b>11,306</b> | <b>15,854</b> |
| <b>Net Assets</b>                      |      | <b>44,784</b> | <b>67,428</b> |
| <b>Equity</b>                          |      |               |               |
| Contributed equity                     |      | 271,857       | 271,857       |
| Reserves                               |      | 956           | 1,094         |
| Accumulated losses                     |      | (228,029)     | (205,523)     |
| <b>Total Equity</b>                    |      | <b>44,784</b> | <b>67,428</b> |

The notes on pages 11 to 17 are an integral part of these condensed consolidated financial statements.

**BURU ENERGY LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE**  
**INCOME OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2020**

| <i>in thousands of AUD</i>   | Note | 30 Jun 2020     | 30 Jun 2019    |
|--|------|-----------------|----------------|
| Revenue  |      | 6,262           | 7,554          |
| Cost of sales  |      | (3,465)         | (3,657)        |
| Movement in crude inventories  |      | (343)           | 274            |
| Amortisation of oil and gas assets   | 4    | (3,251)         | (2,491)        |
| <b>Gross profit / (loss)</b>   |      | <b>(797)</b>    | <b>1,680</b>   |
| Exploration and evaluation expenditure   |      | (2,962)         | (3,423)        |
| Corporate and administrative expenditure   | 8    | (1,188)         | (2,501)        |
| Impairment of oil and gas expenditure  | 4    | (16,250)        | -              |
| Impairment of exploration expenditure  | 5    | (720)           | -              |
| Increase in provisions against inventories   |      | (912)           | -              |
| Equity based payment expenses  |      | -               | (637)          |
| Movement in fair value of financial assets   |      | -               | 40             |
| <b>Results from operating activities</b>   |      | <b>(22,829)</b> | <b>(4,841)</b> |
| Net finance income / (expense)   |      | 185             | 459            |
| <b>Profit / (loss) for the period before income tax</b>                                    |      | <b>(22,644)</b> | <b>(4,382)</b> |
| Income tax expense   |      | -               | -              |
| <b>Total comprehensive income / (loss) for the period</b>                                  |      | <b>(22,644)</b> | <b>(4,382)</b> |
| <b>Earnings / (loss) per share (cents) and diluted earnings / (loss) per share (cents)</b> |      | <b>(5.26)</b>   | <b>(1.01)</b>  |

*The notes on pages 11 to 17 are an integral part of these condensed consolidated financial statements.*

**BURU ENERGY LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

*in thousands of AUD*

|   | Share capital | Share based payment<br>reserve | Accumulated losses | Total equity |
|---|---------------|--------------------------------|--------------------|--------------|
|   | \$            | \$                             | \$                 | \$           |
| <b>Balance as at 1 January 2019</b>                               | 271,857       | 919                            | (178,452)          | 94,324       |
| <b>Comprehensive loss for the period</b>                          |               |                                |                    |              |
| Loss for the period   | -             | -                              | (4,382)            | (4,382)      |
| <b>Total comprehensive loss for the period</b>                    | -             | -                              | (4,382)            | (4,382)      |
| <b>Transactions with owners recorded directly in equity</b>       |               |                                |                    |              |
| Equity based payment transactions                                 | -             | 637                            | -                  | 637          |
| Employee share options forfeited                                  | -             | (61)                           | 61                 | -            |
| <b>Total transactions with owners recorded directly in equity</b> | -             | 576                            | 61                 | 637          |
| <b>Balance as at 30 June 2019</b>                                 | 271,857       | 1,495                          | (182,773)          | 90,579       |

|   | Share capital | Share based payment<br>reserve | Accumulated losses | Total equity |
|---|---------------|--------------------------------|--------------------|--------------|
|   | \$            | \$                             | \$                 | \$           |
| <b>Balance as at 1 January 2020</b>                               | 271,857       | 1,094                          | (205,523)          | 67,428       |
| <b>Comprehensive loss for the period</b>                          |               |                                |                    |              |
| Loss for the period   | -             | -                              | (22,644)           | (22,644)     |
| <b>Total comprehensive loss for the period</b>                    | -             | -                              | (22,644)           | (22,644)     |
| <b>Transactions with owners recorded directly in equity</b>       |               |                                |                    |              |
| Employee share options forfeited                                  | -             | (138)                          | 138                | -            |
| <b>Total transactions with owners recorded directly in equity</b> | -             | (138)                          | 138                | -            |
| <b>Balance as at 30 June 2020</b>                                 | 271,857       | 956                            | (228,029)          | 44,784       |

*The notes on pages 11 to 17 are an integral part of these condensed consolidated financial statements.*

**BURU ENERGY LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH**  
**FLows FOR THE SIX MONTHS ENDED 30 JUNE 2020**

| <i>In thousands of AUD</i>                                   | Note | 30 Jun 2020    | 30 Jun 2019    |
|--|------|----------------|----------------|
| <b>Cash flows from operating activities</b>                  |      |                |                |
| Cash receipts from sales                                     |      | 6,262          | 9,162          |
| Payments for production                                      |      | (3,857)        | (4,079)        |
| Exploration and evaluation expenditure                       |      | (3,429)        | (3,618)        |
| Other payments to suppliers and employees                    |      | (1,365)        | (2,243)        |
| <b>Net cash outflow from operating activities</b>            |      | <u>(2,389)</u> | <u>(778)</u>   |
| <b>Cash flows from investing activities</b>                  |      |                |                |
| Interest received  |      | 231            | 998            |
| Payments for plant and equipment                             |      | -              | (69)           |
| Exploration assets acquired                                  |      | -              | (720)          |
| Payments for oil and gas development                         |      | (4,946)        | (4,034)        |
| <b>Net cash outflow from investing activities</b>            |      | <u>(4,715)</u> | <u>(3,825)</u> |
| <b>Cash flows from financing activities</b>                  |      |                |                |
| Repayment of loans and borrowings                            |      | -              | (500)          |
| <b>Net cash outflow from financing activities</b>            |      | <u>-</u>       | <u>(500)</u>   |
| <b>Net decrease in cash and cash equivalents</b>             |      | (7,104)        | (5,103)        |
| Cash and cash equivalents at beginning of the period         |      | 32,417         | 64,011         |
| Effect of exchange rate changes on cash and cash equivalents |      | 54             | (149)          |
| <b>Cash and cash equivalents at the end of the period</b>    |      | <u>25,367</u>  | <u>58,759</u>  |

*The notes on pages 11 to 17 are an integral part of these condensed consolidated financial statements.*

**BURU ENERGY LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020**

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**1 Reporting Entity**

Buru Energy Limited (Buru Energy or the Company) is a for profit company domiciled in Australia. The address of the Company's registered office is Level 2, 16 Ord Street, West Perth, Western Australia. The condensed consolidated interim financial statements of the Company as at, and for the six months ended, 30 June 2020 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in jointly controlled entities. The Group is primarily involved in oil and gas exploration and production in the Canning Basin in the Kimberley region of northwest Western Australia.

**2 Basis of Accounting**

These interim financial statements are general purpose financial statements which have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2019 (last annual financial statements). They do not include all of the information required for full annual financial statements. The last annual financial statements are available at [www.buruenergy.com](http://www.buruenergy.com). All accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied in the last annual financial statements except for AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*, which is described in Note 8.

These condensed consolidated interim financial statements were approved by the Board of Directors on 2 September 2020.

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the last annual financial statements except for Oil and Gas Assets which is described in Note 4 and Exploration and Evaluation Expenditure which is described in Note 5.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted, however, the Group has not early adopted any new or amended standards in preparing these condensed consolidated interim financial statements.

**3 Operating Segments**

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

- Oil Production: Development and production of the Ungani Oilfield.
- Exploration: The exploration program is focused on prospects along the Ungani oil trend, the Yulleroo area where gas resources have been identified in the Laurel Formation, the Lennard Shelf area including the shut-in Blina and Sundown Oilfields and evaluation of the other areas in the Group's portfolio.

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

**BURU ENERGY LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020 (CONT'D)**

| <b>Profit or loss</b><br><i>in thousands of AUD</i>  | <b>Oil Production</b> |               | <b>Exploration</b> |                | <b>Unallocated</b> |                | <b>Total</b>    |                |
|--|-----------------------|---------------|--------------------|----------------|--------------------|----------------|-----------------|----------------|
|  | <b>Jun 20</b>         | <b>Jun 19</b> | <b>Jun 20</b>      | <b>Jun 19</b>  | <b>Jun 20</b>      | <b>Jun 19</b>  | <b>Jun 20</b>   | <b>Jun 19</b>  |
| External revenues                                    | 6,262                 | 7,554         | -                  | -              | -                  | -              | <b>6,262</b>    | <b>7,554</b>   |
| Cost of sales  | (3,465)               | (3,657)       | -                  | -              | -                  | -              | <b>(3,465)</b>  | <b>(3,657)</b> |
| Movement in crude inventories                        | (343)                 | 274           | -                  | -              | -                  | -              | <b>(343)</b>    | <b>274</b>     |
| Amortisation of oil and gas assets                   | (3,251)               | (2,491)       | -                  | -              | -                  | -              | <b>(3,251)</b>  | <b>(2,491)</b> |
| <b>Gross Profit / (Loss)</b>                         | <b>(797)</b>          | <b>1,680</b>  | -                  | -              | -                  | -              | <b>(797)</b>    | <b>1,680</b>   |
| Exploration and evaluation expenditure               | -                     | -             | (2,962)            | (3,423)        | -                  | -              | <b>(2,962)</b>  | <b>(3,423)</b> |
| Corporate and administrative expenditure             | -                     | -             | -                  | -              | (1,188)            | (2,501)        | <b>(1,188)</b>  | <b>(2,501)</b> |
| Impairment of oil and gas expenditure                | (16,250)              | -             | -                  | -              | -                  | -              | <b>(16,250)</b> | -              |
| Impairment of exploration and evaluation expenditure | -                     | -             | (720)              | -              | -                  | -              | <b>(720)</b>    | -              |
| Increase in provisions against inventories           | -                     | -             | (912)              | -              | -                  | -              | <b>(912)</b>    | -              |
| Share based payment expenses                         | -                     | -             | -                  | -              | -                  | (637)          | -               | <b>(637)</b>   |
| Movement in fair value of financial assets           | -                     | -             | -                  | -              | -                  | 40             | -               | <b>40</b>      |
| <b>EBIT</b>  | <b>(17,047)</b>       | <b>1,680</b>  | <b>(4,594)</b>     | <b>(3,423)</b> | <b>(1,188)</b>     | <b>(3,098)</b> | <b>(22,829)</b> | <b>(4,841)</b> |
| Net financial income / expense                       | -                     | -             | -                  | -              | 185                | 459            | <b>185</b>      | <b>459</b>     |
| <b>Reportable segment profit / (loss) before tax</b> | <b>(17,047)</b>       | <b>1,680</b>  | <b>(4,594)</b>     | <b>(3,423)</b> | <b>(1,003)</b>     | <b>(2,639)</b> | <b>(22,644)</b> | <b>(4,382)</b> |

**BURU ENERGY LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020 (CONT'D)**

| <b>Total Assets</b><br><i>in thousands of AUD</i> | <b>Oil Production</b> |               | <b>Exploration</b> |               | <b>Unallocated</b> |               | <b>Total</b>  |               |
|---|-----------------------|---------------|--------------------|---------------|--------------------|---------------|---------------|---------------|
|   | <b>Jun 20</b>         | <b>Dec 19</b> | <b>Jun 20</b>      | <b>Dec 19</b> | <b>Jun 20</b>      | <b>Dec 19</b> | <b>Jun 20</b> | <b>Dec 19</b> |
| <b>Assets</b>                                     |                       |               |                    |               |                    |               |               |               |
| Current assets                                    | 855                   | 1,199         | 1,592              | 2,411         | 25,895             | 33,381        | <b>28,342</b> | <b>36,991</b> |
| Oil and gas assets                                | 24,793                | 41,966        | -                  | -             | -                  | -             | <b>24,793</b> | <b>41,966</b> |
| Exploration and evaluation assets                 | -                     | -             | -                  | 720           | -                  | -             | -             | <b>720</b>    |
| Property, plant and equipment                     | -                     | -             | -                  | -             | 2,902              | 3,552         | <b>2,902</b>  | <b>3,552</b>  |
| Investments                                       | -                     | -             | -                  | -             | 53                 | 53            | <b>53</b>     | <b>53</b>     |
| <b>Total Assets</b>                               | <b>25,648</b>         | <b>43,165</b> | <b>1,592</b>       | <b>3,131</b>  | <b>28,850</b>      | <b>36,986</b> | <b>56,090</b> | <b>83,282</b> |
| <b>Capital Expenditure</b>                        | <b>2,328</b>          | <b>15,927</b> | <b>-</b>           | <b>720</b>    | <b>-</b>           | <b>140</b>    | <b>2,328</b>  | <b>16,787</b> |
| <b>Liabilities</b>                                |                       |               |                    |               |                    |               |               |               |
| Current liabilities                               | 1,517                 | 4,330         | 844                | 2,412         | 3,671              | 3,513         | <b>6,032</b>  | <b>10,255</b> |
| Lease liabilities (Non-current)                   | 389                   | 964           | -                  | -             | -                  | -             | <b>389</b>    | <b>964</b>    |
| Provisions (Non-current)                          | 1,380                 | 1,381         | 3,213              | 3,016         | 292                | 238           | <b>4,885</b>  | <b>4,635</b>  |
| <b>Total Liabilities</b>                          | <b>3,286</b>          | <b>6,675</b>  | <b>4,057</b>       | <b>5,428</b>  | <b>3,963</b>       | <b>3,751</b>  | <b>11,306</b> | <b>15,854</b> |

**BURU ENERGY LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020 (CONT'D)**

**4 Oil and Gas Assets**

*in thousands of AUD*

|   | <b>30 Jun 2020</b> | <b>31 Dec 2019</b> |
|---|--------------------|--------------------|
|   | <b>\$</b>          | <b>\$</b>          |
| Carrying amount at beginning of the period  | 41,966             | 31,398             |
| Development expenditure                     | 2,328              | 15,927             |
| Transfer from property, plant and equipment | -                  | 117                |
| Amortisation expense                        | (3,251)            | (5,476)            |
| Impairment of oil and gas assets            | (16,250)           | -                  |
| Carrying amount at the end of the period    | 24,793             | 41,966             |

Accounting Policy

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 their 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.

In testing for indications of impairment and performing impairment calculations, assets are considered as collective groups and referred to as cash generating units (CGUs). CGUs are the smallest identifiable group of assets, liabilities and any associated goodwill that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Formal impairment tests are performed for CGUs when there is an indication of impairment. The Group uses discounted cash flow valuations to assess all of its CGUs for impairment or impairment reversal indicators. For any resultant formal impairment testing, the Group uses the higher of fair value less cost of disposal (FVLCD) and its value in use to assess the recoverable amount. If the carrying value of the CGU exceeds its recoverable amount, the CGU is impaired, and an impairment loss is charged to the Consolidated Income Statement. Previously impaired CGUs are reviewed for possible reversal of a previous impairment at each reporting date. Impairment reversals cannot exceed the carrying value that would have been determined (net of depreciation) had no impairment loss been recognised for the CGU.

Impairment recorded against the Ungani Oilfield

As a result of the COVID-19 pandemic and the very significant fall in global crude prices during 2020 H1, and in common with other companies in the sector, the Company has conducted a detailed review of the recoverable amount of the Ungani Oilfield CGU. This assessment indicated that, under current expected forward oil prices, the asset was unlikely to recover its pre-impairment carrying value in full and a non-cash impairment of \$16,250,000 has been recorded in the Consolidated Income Statement during the period. The recoverable amount for the Ungani Oilfield CGU is based on a FVLCD discounted cash flow calculation. This approach is categorised as a Level 3 fair value using the income approach, based on the inputs in the valuation technique, in accordance with AASB 13 *Fair value measurement*. The post-impairment carrying value of the Ungani Oilfield as at 30 June 2020 approximates its recoverable amount.

**BURU ENERGY LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020 (CONT'D)**

The impairment assessment required management to make estimates regarding the present value of future cash flows. These estimates require significant management judgement and assumptions about expected production and sales volumes, oil prices, operating costs, future capital expenditure, rehabilitation costs and allocation of corporate costs. These estimates and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying amount of the assets may be further impaired or the impairment charge reversed with the impact recorded in the Consolidated Income Statement.

The basis for the estimates used to determine the recoverable amount of the Ungani Oilfield is set out below:

- Estimated production volumes are based on the estimated life of the asset as determined by management. Production volumes are influenced by further capital expenditure, production input costs and the estimated selling price of oil produced. The production rates used over the life of the asset in the FVLCD determinations range between 2,000 bopd and 1,000 bopd gross to the Joint Venture (Company's share 50%).
- The oil prices used in the FVLCD determinations are derived from a range of prices published by market commentators. Prices are adjusted for premiums and discounts based on the nature and quality of the product. The nominal Brent oil prices (US\$/bbl) used were:

|                             | 2020 | 2021 | 2022 | 2023 | 2024 | Long term 2025 – 2029 |
|-----------------------------|------|------|------|------|------|-----------------------|
| <b>Oil price (US\$/bbl)</b> | \$44 | \$50 | \$56 | \$58 | \$61 | \$68                  |

- The foreign exchange rates used in the FVLCD determinations are within the range of \$0.68 to \$0.72 (US\$:AU\$) and are derived from rates published by market commentators.
- A pre-tax nominal discount rate of 11.5% has been used. The discount rate was derived from the Company's estimated pre-tax nominal weighted average cost of capital (WACC), with appropriate adjustments made to reflect risks specific to the CGU, that are not in the underlying cash flows.
- An inflation rate of 2.5% has been used.

The determination of FVLCD for the Ungani Oilfield was most sensitive to oil prices, foreign exchange rates and production volumes.

## 5 Exploration and Evaluation Expenditure

*in thousands of AUD*

|  | 30 Jun 2020 | 31 Dec 2019 |
|--|-------------|-------------|
|  | \$          | \$          |
| Carrying amount at beginning of the period | 720         | 6,036       |
| Exploration assets acquired                | -           | 720         |
| Impairment of exploration expenditure      | (720)       | (6,036)     |
| Carrying amount at the end of the period   | -           | 720         |

### Accounting Policy

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.

**BURU ENERGY LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020 (CONT'D)**

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 Consolidated 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 Consolidated Income Statement.

Impairment recorded against capitalised Exploration and Evaluation Expenditure

As a result of the COVID-19 pandemic and the very significant fall in global crude prices during the reporting period, the EP 457 and EP 458 Joint Venture has agreed to defer all discretionary on-ground exploration expenditure on these permits. Therefore, an impairment expense of \$720,000 against capitalised exploration and evaluation expenditure has been recorded in the Consolidated Income Statement during the period.

**6 Loans and Borrowings**

*in thousands of AUD*

|   | <b>30 Jun 2020</b> | <b>31 Dec 2019</b> |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| Borrowings at the beginning of the period | 2,000              | 5,000              |
| Interest expense for the period           | 50                 | 225                |
| Repayment to Alcoa                        | -                  | (3,225)            |
| Carrying amount at the end of the period  | 2,050              | 2,000              |

The final instalment of \$2,000,000 plus interest will be payable on or before 31 December 2020. The debt remains unsecured and subject to an agreed interest rate of 5%.

**7 Provisions**

*in thousands of AUD*

|                                  | <b>30 Jun 2020</b> | <b>31 Dec 2019</b> |
|----------------------------------|--------------------|--------------------|
|                                  | \$                 | \$                 |
| <b>Current</b>                   |                    |                    |
| Provision for annual leave       | 1,093              | 881                |
| Provision for long-service leave | 176                | 166                |
| Provision for site restoration   | 523                | 523                |
|                                  | 1,792              | 1,570              |

**BURU ENERGY LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020 (CONT'D)**

**Non-Current**

|                                  |       |       |
|----------------------------------|-------|-------|
| Provision for long-service leave | 292   | 238   |
| Provision for site restoration   | 4,593 | 4,397 |
|                                  | 4,885 | 4,635 |

**8 Corporate and Administrative Expenditure**

*in thousands of AUD*

|  | <b>30 Jun 2020</b> | <b>30 Jun 2019</b> |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| Personnel and associated expenses        | 725                | 1,412              |
| Office and other administration expenses | 463                | 1,089              |
|  | 1,188              | 2,501              |

As part of its response to COVID-19, the Australian Government announced various stimulus measures resulting from the economic fallout from the coronavirus lockdown. One such stimulus measure was the payment of subsidies to qualifying employers under the JobKeeper Payment scheme (JobKeeper). The initial JobKeeper payments are a wage subsidy whereby employers who qualify for the stimulus receive \$1,500 per fortnight for each eligible employee who was employed by the company during the period April 2020 to September 2020. On 21 July 2020, the Australian Government announced it is extending JobKeeper until 28 March 2021 at stepped down rates, targeting support to those businesses which continue to be significantly impacted.

JobKeeper payments are government grants and are accounted for under AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*. Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. The Company has determined that it is eligible to receive the initial JobKeeper payments, which totalled \$210,000 in the period to 30 June 2020. Employee expenses in the period have been presented net of the JobKeeper payments received.

**9 Capital and Reserves**

|   | <b>Ordinary Shares</b>     |                            |
|---|----------------------------|----------------------------|
|   | <b>1 Jan – 30 Jun 2020</b> | <b>1 Jan – 31 Dec 2019</b> |
|   | No.                        | No.                        |
| Fully paid shares on issue at the beginning of the period | 432,074,241                | 432,074,241                |
| Fully paid shares on issue at the end of the period       | 432,074,241                | 432,074,241                |

**10 Capital and Other Commitments**

*in thousands of AUD*

|   | <b>30 Jun 2020</b> | <b>31 Dec 2019</b> |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| <b>Exploration expenditure commitments</b>              |                    |                    |
| <i>Contracted but not yet provided for and payable:</i> |                    |                    |
| Within one year   | -                  | 333                |
| One year later and no later than five years             | 3,800              | 3,467              |
|   | 3,800              | 3,800              |

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

**11 Subsequent Events**

No significant events have occurred subsequent to balance date.

**12 Changes in significant accounting policies**

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

**BURU ENERGY LIMITED**  
**DIRECTORS' DECLARATION**

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

- (a) the financial statements and notes set out on pages 7 to 17, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the six month period ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



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Mr Eric Streitberg  
Executive Chairman  
Perth  
2 September 2020



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Mr Robert Willes  
Non-Executive Director  
Perth  
2 September 2020



# Independent Auditor's Review Report

To the shareholders of Buru Energy Limited

## Report on the Interim Financial Report

### Conclusion

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

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

- Giving a true and fair view of the **Group's** financial position as at 30 June 2020 and of its performance for the Half-year ended on that date; and
- Complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Condensed consolidated statement of financial position as at 30 June 2020.
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the half-year ended on that date.
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information.
- The Directors' Declaration.

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

### Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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



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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Buru Energy Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

Jane Bailey

Partner

Perth

2 September 2020

**Directors**

Mr Eric Streitberg – Executive Chairman

Ms Eve Howell – Non-Executive

Mr Robert Willes – Non-Executive

**Company Secretary**

Mr Shane McDermott

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Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

**Auditors**

KPMG

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Perth WA 6000

**Stock Exchange**

Australian Securities Exchange

Exchange Plaza

2 The Esplanade

Perth WA 6000

**ASX Code:** BRU