



# 2021 ANNUAL REPORT

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**Buru Energy Limited Annual Report**  
For the year ended 31 December 2021

ABN 71 130 651 437



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## About Buru Energy

Buru Energy Limited (ASX: BRU) is a Western Australian energy company headquartered in Perth with an operational office in Broome. The company’s goal is to deliver material benefits to its shareholders, the State of Western Australia, the Traditional Owners and communities of the areas in which it operates, by successfully exploring for and developing petroleum resources and by contributing to driving the energy transition in an environmentally and culturally sensitive manner.

The Company’s petroleum assets and tenements are located onshore in the Canning Basin in the southwest Kimberley region of Western Australia and the onshore Carnarvon Basin in Western Australia. In the Kimberley it owns and operates 50% of the conventional Ungani Oilfield project and the conventional wet gas discovery at Rafael 1. It also operates a basin wide portfolio of exploration permits and licences prospective for conventional and unconventional resources with working interests ranging from 40% to 100%. Its onshore Carnarvon Basin holdings are prospective for conventional oil and gas and have significant potential for carbon capture and storage activity.

Buru Energy is also participating in the new energy economy through its subsidiary companies’ activities in natural hydrogen, carbon capture and storage, and battery minerals.

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# EXECUTIVE CHAIRMAN'S LETTER

Dear Shareholders.

I am pleased to present our Annual Report for the 2021 financial and calendar year.

**Our activity in 2021 was again influenced by the ongoing COVID pandemic, which was particularly the case in Western Australia where our operations are concentrated. Despite the many restrictions that were in place we were able to execute a substantial exploration drilling and seismic program and continue production from our Ungani oilfield with no significant safety or environmental incidents. We were also able to advance our energy transition activities including our 2H Resources, Geovault and Battmin subsidiaries.**



Our intensive field operations included the drilling of three wells, one of which resulted in a substantial conventional gas discovery at Rafael, and the acquisition of over 900 kilometres of seismic data. These programs were operated by Buru on behalf of our joint venture partners, Origin Energy and Roc Oil.

The exploration program was an outcome of the farmout agreement executed with Origin Energy in late 2020. This agreement provided for a substantial activity carry in return for the earning by Origin of a 50% interest in the majority of the Company's Canning Basin exploration areas. This program was undertaken safely and effectively from a "standing start" and is a credit to the hard work and professionalism of the Buru operations team.

A new area of operations in the onshore Carnarvon Basin was also commenced with the offer of application area L20-1 by the Western Australian government to a Buru operated joint venture with Mineral Resources. This area has similar geology to the Canning Basin and is the first step by the Company outside its traditional area of operations. The application area is prospective for conventional oil and gas activity but also has good potential for Carbon Capture and Storage (CCS) operations. It is expected on ground activity will commence in this area during 2022 after the area is granted as a petroleum exploration permit.

The Company's future activity will also have to take into account the limited availability of drilling rigs and oilfield services for onshore activity in Australia, and this may also be a generally limiting factor for the resurgence of exploration that is required to meet Australia's goals for secure local energy supply.

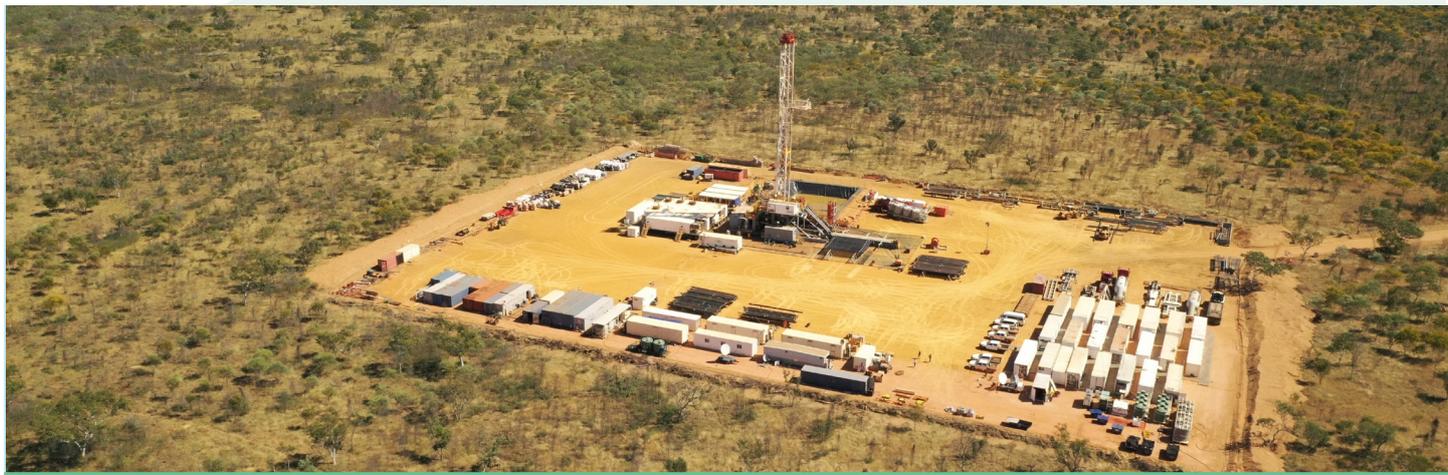
## Drilling and seismic programs

The drilling program during 2021 included two exploration wells, Currajong 1 and Rafael 1. The Currajong 1 well had initial indications of hydrocarbons, but unfortunately was not productive when tested. The Rafael 1 exploration well encountered a significant gas/condensate resource in a large structural closure. Initial testing of this resource in February and March 2022 flowed gas and condensate to surface, with evaluation and appraisal activities ongoing, including the preparation of an independent resources assessment.

Ungani 8 was the third well in the drilling program and was drilled as a planned horizontal development well on the Ungani Oilfield. Unfortunately, operational issues meant the well had to be suspended without being completed and the rig was then released. The resurgence in oil prices provides the impetus to drill a vertical well during 2022 targeting the same part of the structure using a smaller rig and a simpler well design, subject to joint venture and regulatory approvals.

The extensive seismic program was completed with no significant incidents and the full engagement of the traditional custodians of the areas where it was acquired including providing a range of services to support the program. We express our appreciation to our traditional owner stakeholders in ensuring that the cultural and heritage values of the areas were appropriately considered and protected.

## EXECUTIVE CHAIRMAN'S LETTER



### Oil Production

Production from the conventional Ungani Oilfield continued throughout the year and was optimised by continuing maintenance and well intervention activity. The Ungani operations team are based in Broome and maintained oil production safely and efficiently despite the operational and social restrictions arising from the COVID pandemic. There is the potential for a further well in the field to both maintain production and extend field life, and this will be a focus during 2022.

### Energy Transition Activity

The Company is participating in the energy transition in areas where it can leverage its core strengths in its petroleum activities.

It is also conscious of the need to minimise its own greenhouse gas (GHG) emissions from its activities and has an active GHG reduction program. Further details of these activities are set out in the Company's inaugural Sustainability Report. This report formalises many of the ESG initiatives of the Company and presents these in a transparent and accountable way.

The three principal energy transition activities of the Company are through its subsidiaries, 2H Resources, Geovault and Battmin.

2H Resources is focused on exploring for and producing natural hydrogen. It has been successful in applying for permits that are prospective for natural hydrogen and is also monitoring the drilling activity of the Company for occurrences of natural hydrogen in petroleum wells. It is anticipated that the activities of 2H Resources will be increased during 2022 with a further objective of the company becoming independent from Buru in due course.

Geovault is focused on building capability in carbon capture and storage in geological reservoirs, particularly in relation to projects that can be developed in association with the Company's gas resources. It has access to highly skilled and experienced experts in the field to build this business.

Battmin has used Buru's geological expertise to identify and acquire mineral leases in the Canning Basin with potential for lead/zinc deposits that are analogous to existing deposits in outcrop on the northern edge of the basin. It is intended to test these geological concepts by a drilling program during 2022.

### Financial and Corporate

The Company successfully executed a capital raising during the year which provided funding for its share of field activity during 2021. The strong oil price has also been of assistance in regard to receipts from Ungani oil production. The Company continues to exert control on its discretionary expenditure and has no debt.

Buru will continue to look at ways to enhance its strategic position and to maximise the value of its assets as part of its ongoing activity.

### Stakeholders

The Company has a wide range of stakeholders in its activities including shareholders, staff, Government, traditional owner custodians, local communities, joint venture partners, suppliers and industry associates.

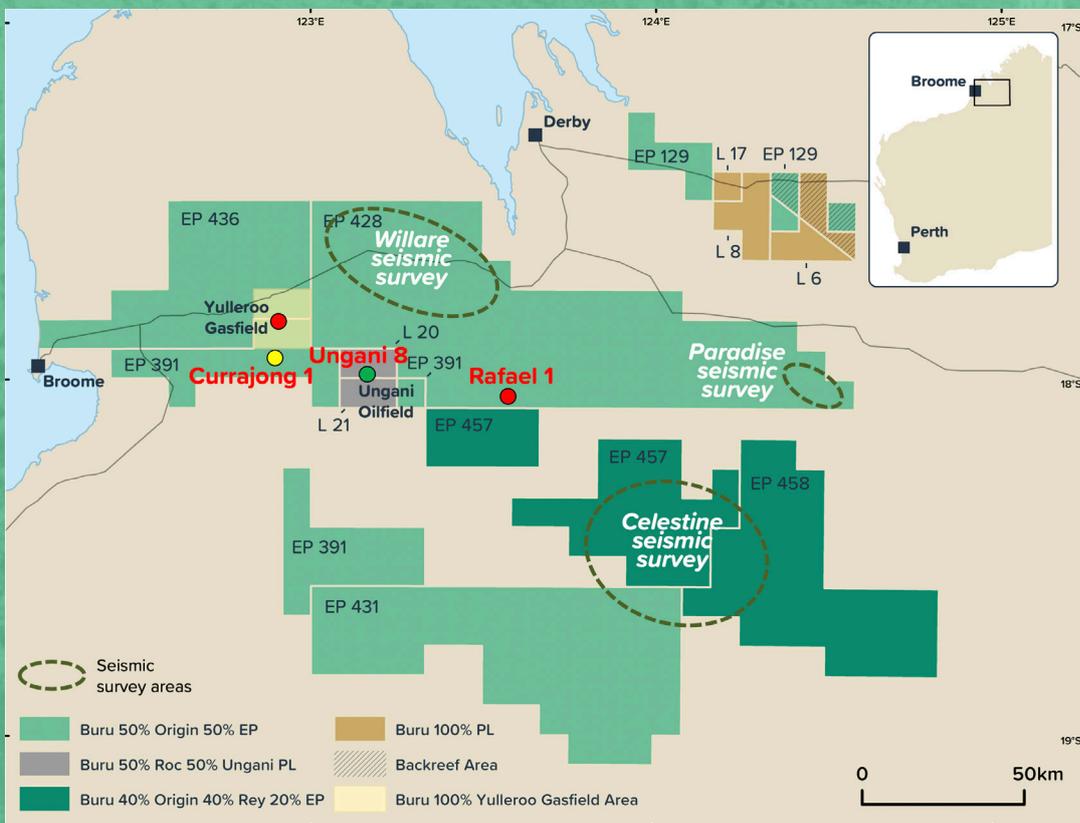
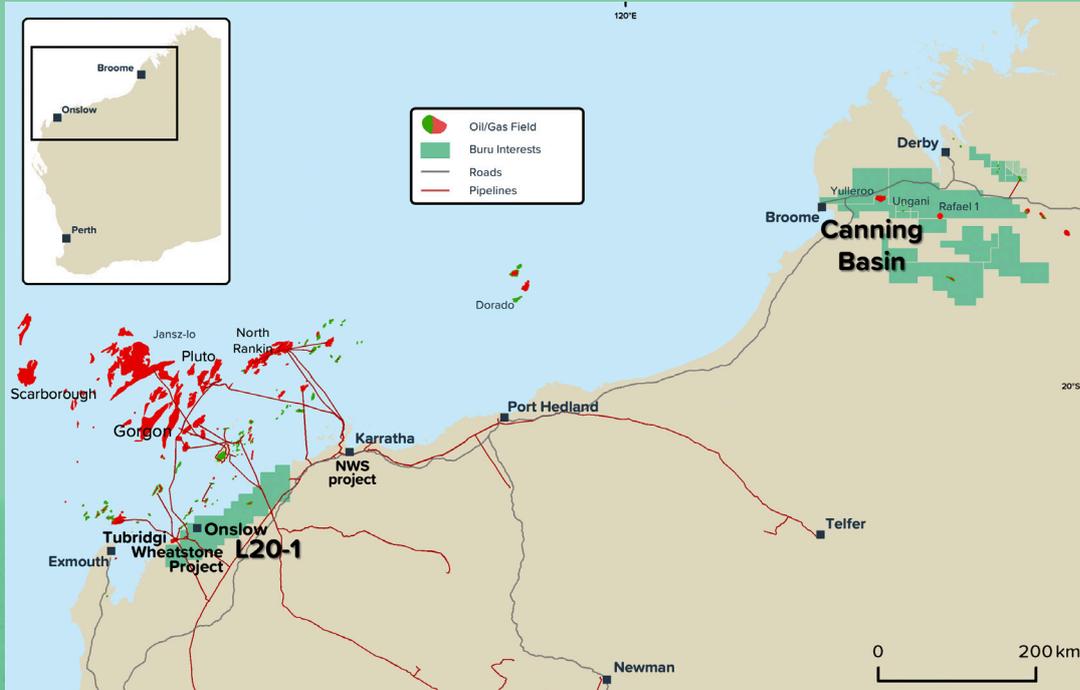
All of these stakeholders contribute to the success of the Company. The Board thanks all of our stakeholders for their continued support, particularly our staff who were able to successfully and safely execute a significant field campaign under the shadow of COVID.

A handwritten signature in black ink, appearing to read 'Eric Streitberg', written in a cursive style.

**Eric Streitberg**  
Executive Chairman

# REVIEW OF OPERATIONS

## LOCATION OF THE COMPANY'S OPERATIONS



## REVIEW OF OPERATIONS

### Business Philosophy and Strategy

Buru Energy Limited's ("Buru" or "the Company") goal is to deliver material benefits to its shareholders, the State of Western Australia, the Traditional Owners and communities of the areas in which it operates, by successfully exploring for and developing petroleum resources and by contributing to driving the energy transition in an environmentally and culturally sensitive manner.

During the year the Company continued production from its conventional Ungani Oilfield and continued exploration within its petroleum exploration permit areas with exploration success at its Rafael 1 well. The Company also recognises that although there is an inexorable and necessary shift to renewable sources of energy, the world still needs oil and gas in large quantities and will do so for decades to come. This provides an opportunity for the Company to not only ensure its core business is able to supply these necessary resources, but to also ensure it is aligned with community and shareholder expectations for participation in the new integrated energy economy. The Company is progressing a number of initiatives to ensure it is part of the energy transition both through internal Buru activity and through three subsidiaries, 2H Resources (natural hydrogen), Geovault (Carbon Capture and Storage) and Battmin (battery minerals).

Further information on the three integrated energy subsidiaries are included later in the Review of Operations.

This year Buru has also separately released its inaugural Sustainability Report with the same reporting period as this Annual Report. The Sustainability Report sets out the Company's commitment to managing its Environmental Social and Governance (ESG) responsibilities.

### Exploration

During the year the Company executed a drilling and seismic program under the terms of its farmout agreement with Origin Energy. The exploration drilling program consisted of two wells, both targeting conventional reservoirs. Currajong 1 was drilled to evaluate a structure on the Ungani Oilfield geological trend. Despite some initial encouragement, testing failed to recover any hydrocarbons. The Rafael 1 well was drilled to evaluate a large structural closure to the east of the Ungani Oilfield. The well resulted in a wet gas discovery with a successful flow test with gas and condensate to surface in early 2022.

In addition to the exploration wells, some 990 kilometres of 2D seismic data was acquired during the year over geologically prospective areas to delineate future drilling targets.



## REVIEW OF OPERATIONS

### Currajong 1 Exploration Well (EP391 - Buru 50% and Operator)

Currajong 1 was the first well in the 2021 exploration program drilled with the Ensign 963 rig. The well is located on Exploration Permit 391 in the Canning Basin, some 30 kilometres to the west of the Ungani Oilfield and some 70 kilometres east of Broome. The well was spudded on 1 July and drilled to a measured depth of 2,340 metres.

The well encountered a number of zones in the Ungani Dolomite section that were interpreted from wireline log data to have potential for oil recoveries. Although good reservoir quality was confirmed in all zones during a subsequent testing program, no oil was recovered and pressure data acquired indicates that the zones are water bearing. The well was therefore suspended while the data are examined. The well has confirmed the presence of good quality Ungani Dolomite reservoir some 30 kms west of the Ungani Oilfield and has therefore increased the size of the prospective area of Ungani Dolomite conventional reservoir potential in the Basin.

### Rafael 1 Exploration Well (EP428 - Buru 50% and Operator)

Rafael 1 was the second well in the 2021 exploration program drilled with the Ensign 963 rig. The well is located on Exploration Permit 428 in the Canning Basin, some 50 kilometres to the east of the Ungani Oilfield and some 150 kilometres east of Broome. Drilling commenced on 22 August and the well was drilled to a total measured depth of 4,141 metres.

Three potential gas columns were encountered in the well with testing undertaken in early 2022 on the lower zone interpreted to be similar to the highly productive conventional dolomite reservoir at the Ungani Oilfield resulting in a wet gas discovery.

In addition to the gas column in the Ungani Dolomite section, the Upper Laurel Carbonate section above the Ungani Dolomite equivalent section is also dolomitised with further significant regional hydrocarbon potential.



## REVIEW OF OPERATIONS

### 2021 Seismic Program (Buru 40%/50% and Operator)

As part of the 2021 exploration program, a multi-permit 2D seismic acquisition program was undertaken by Buru on behalf of its Canning Basin joint venture partners to delineate additional exploration targets for subsequent drilling campaigns. The seismic was acquired over highly prospective areas of the Joint Ventures' extensive acreage holdings with a total of some 990 kilometres of data acquired over three separate surveys: Celestine (~630 line kilometres across EP457 and EP458), Willare (~240km in EP428), and Paradise (~120km in EP428).

Seismic processing is being progressed with subsequent interpretation expected to be concluded during the second quarter of 2022.

### Production

#### Ungani Oilfield Production and Sales (L20/L21 - Buru Energy 50% and operator)

Buru 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 2021 totalled ~254,000 bbls at an average rate of ~700 bopd (Buru Energy's 50% share ~127,000 bbls).

Oil sales are facilitated by secure trucking, storage and export contracts, with the oil being trucked from the Ungani Oilfield to a storage tank at the Port of Wyndham where it is then sold FOB under a marketing agreement with BP Singapore Pte Limited (BP), primarily to SE Asian refineries. Gross sales of Ungani crude during the year totalled approximately 218,000 bbls from three liftings at Wyndham Port. Buru Energy's share of revenue from the Ungani Oilfield for the year totalled ~A\$9,608,000 at an average received price of ~A\$88/bbl (2020: ~A\$11,304,000 at an average received price of ~A\$52/bbl).

Cost of sales totalled ~A\$6,541,000 at A\$51/bbl (2020: ~A\$6,853,000 at A\$37/bbl) giving a gross profit from sales of Ungani crude net to Buru Energy of ~A\$3,067,000 before inventory adjustments and amortisation charges, at an average annualised margin of ~A\$37/bbl (2020: ~A\$4,451,000 at ~A\$15/bbl).

#### Ungani Oilfield Development

The Ungani 8H well was the third well in the 2021 campaign with the Ensign 963 drilling rig and was drilled as a horizontal well targeting an interpreted undrained section of the Ungani reservoir. The well spudded on 18 December and was drilled to a total measured depth of 2,605 metres into the Ungani Dolomite at a hole angle of some 76 degrees, substantially as planned.



As the drill string was being retrieved prior to running the 9 $\frac{5}{8}$  inch casing it became stuck in the upper part of the Laurel Shale. Subsequent to analysis of the options for the forward program for the well it was agreed that ROC would undertake a sidetrack to complete the well as a sole risk operation. The Ungani 8 sidetrack was drilled to a measured depth of 2,473 metres in the Ungani Shale, with a further incident of stuck pipe and the well was suspended. All costs incurred undertaking the sidetrack were borne by ROC.

### Other Assets

#### Blina Oilfield (L6/L8 - Buru Energy 100%)

The Blina Oilfield remains shut-in while further technical evaluation is undertaken. Technical review of the data from the field continued during the year, with engagement of an independent expert to advise on the potential to restart operations at the field. The potential for activity on Blina to interface with the Geovault projects is also being actively investigated.

#### Yulleroo Gasfield (EP391 & EP436 - Buru Energy 100%)

The Yulleroo Gasfield accumulation is defined by four wells and a 3D seismic survey and has previously had a successful fracture stimulation operation on the Yulleroo 2 well in 2010. It contains a substantial 2C tight gas resource that has been independently certified. It forms part of the much larger prospective tight gas resource in the wider Canning Basin and also has potential for conventional gas resources. During the year the mapping of the reprocessed Yulleroo 3D data set has quantified the potential of the conventional sand from which gas was recovered in the Yulleroo 3 well at 3,200 metres drill depth and defined an area of potential conventional sand development that will be the target of a future well.

#### Carnarvon Basin (L20-1 Buru 50%)

During the year, Buru and Mineral Resources Limited (MRL) accepted an offer for the award of bid block L20-1 in the onshore Carnarvon Basin. The geology and play types on the block are similar to and complement Buru's Canning Basin assets and represent new and exciting prospectivity for the L20-1 area. The award is to a 50/50 Joint Venture between Buru and MRL, with Buru as operator. The award of the block is subject to the completion of normal statutory processes.



## REVIEW OF OPERATIONS

The block covers the onshore portion of the Peedamullah Shelf, a geological unit bordering the main productive area of the Carnarvon Basin with extensive existing infrastructure in the area to facilitate commercialisation of any hydrocarbon discoveries.

The area also has high potential for conventional oil and gas and also for geothermal energy and carbon dioxide sequestration. Initial mapping by the Joint Venture has identified a number of conventional oil and gas prospects that can be tested by relatively shallow wells on the basis of the sparse but good quality existing seismic data.

During the year work commenced on the assembly and validation of the existing technical data on the block with the joint venture aiming to commence field work during 2022. The requisite Native Title agreements required for the grant of the permit are also being progressed with meetings with the appropriate parties.

### Energy Transition Projects

#### 2H Resources

2H Resources is aiming to be a leading explorer for natural hydrogen (also known as Gold or White Hydrogen) and associated helium. Natural hydrogen is produced from underground accumulations in the earth and not manufactured, so it has the potential for supply of low cost and low carbon intensity hydrogen. More details of natural hydrogen and the activities of 2H Resources are available on the 2H Resources website at [2hresources.com](https://2hresources.com).

2H Resources has initially focused on areas where there is existing legislation that allows for the exploration and production of natural hydrogen. In Australia the South Australian jurisdiction is the most formalised and there is also evidence from historic wells for the presence of natural hydrogen. 2H Resources is the successful applicant for some 29,000 sq km of permits in South Australia that are prospective for natural hydrogen. These applications are currently going through the required regulatory and Native Title processes prior to their grant. Once these are granted, 2H Resources plans to undertake on-ground initial prospecting work on these permits using in-house capabilities and technology, including hydrogen measuring equipment including a recently purchased hydrogen sampling meter. A specialised hydrogen mudgas detection unit was also installed for the Currajong 1 drilling operation and detected a zone of up to 6% hydrogen percentage in mudgas over an interval of approximately six metres from 2,014 metres measured depth. This result is encouraging in confirming the presence of natural hydrogen in the Canning Basin.

#### Carbon Capture and Underground Storage (Project Geovault)

All credible paths to net zero by 2050 require utilisation of carbon dioxide capture and storage (CCS). The only method of CCS that has the potential to provide the necessary scale is Carbon Capture and Underground Storage (CCUS). Geovault is participating in the CCS industry through the provision of geological sequestration services for major carbon dioxide emitters with sequestration of Buru's own emissions also a focus, particularly in regard to major project facilitation in the Canning Basin.

Geovault has a highly experienced technical team to progress the identification and development of viable CO<sub>2</sub> storage sites, especially where these may support development of major projects that have substantive CO<sub>2</sub> emissions. The immediate focus of the team is on feasibility and geological studies to identify and quantify new potential CO<sub>2</sub> storage locations, initially in Western Australia.

Geovault is also progressing relationships with complementary service providers to ensure it is able to provide an integrated CCUS service.

#### Battery Minerals (Project Battmin)

The geological conditions that form the hydrothermal dolomites that comprise the reservoirs in a number of Canning Basin oilfields also host hydrothermal lead/zinc deposits, generically known as Mississippi Valley type (MVT) deposits. Buru is applying its geological knowledge and extensive geological and geophysical data base to the exploration for these deposits as an adjunct to its petroleum exploration activity.

Current activity is focused on its joint venture with Sipa Resources Limited where it is expected that a drilling program on hydrothermal lead zinc targets that are well defined on detailed high resolution gravity surveys will be commenced in the third quarter of 2022.

Battmin has also applied for a number of mineral exploration areas in its own right including tenements that adjoin large areas of thick salt formations that were subsequently applied for by the Fortescue group.

### Corporate

#### Placement and SPP

On 30 April 2021, Buru announced a successful share placement raising a total of \$15 million before costs (Placement), being the issue of 100,000,000 new shares at \$0.15. The Placement shares were issued on 6 May 2021 under the Company's placement capacity pursuant to ASX Listing Rule 7.1 (64,811,136 shares) and ASX Listing Rule 7.1A (35,188,864 shares). Despite higher bids received, the Placement was limited to \$15 million in order to provide existing shareholders with an appropriate level of participation in the accompanying Share Purchase Plan (SPP). The SPP closed on 4 June 2021 with subscription applications totalling approximately \$1 million from 133 shareholders resulting in the issue of 6,368,750 new shares at \$0.16. The shares issued pursuant to the Placement were later ratified and approved under and for the purposes of Listing Rule 7.4, during a General Meeting held in September 2021.

#### Board Appointments

On 22 February 2021, Buru appointed two new independent Non-executive Directors to the Board, Ms Joanne Kendrick and Mr Malcolm King, who have strengthened the Company's Board at a critical time in Buru's growth. Ms Eve Howell retired from the Buru Board on 31 March 2021 and the Company wishes her the best in her retirement and expresses its gratitude for her wise counsel and technical expertise during her tenure.

Ms Samantha Tough was also appointed to the Board on 23 February 2021, but later advised that a potential conflict with other organisations in which she was involved was greater than first anticipated and therefore retired as a Director of Buru at the AGM on 6 May 2021.

#### Corporate Governance

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 and Appendix 4G for the year ended 31 December has also been released and can be found on the Company's website.

The Company also has in place policies that cover the principal actions under its Corporate Governance Statement and these may also be found on the Company's website.

#### Risk Management

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

Risk reporting includes the status of risks through integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed. The Audit and Risk Committee reports the status of material business risks to the Board on an annual basis.

The risks involved with oil and gas exploration generally and the specific risks associated with Buru Energy's activities in particular are regularly monitored and all exploration and investment proposals reviewed include a conscious consideration of the issues and risks of each proposal. The Company's executive and senior management have extensive experience in the industry and manage and monitor potential exposures facing the Company.

#### Climate Related Risks and Opportunities

The Board considers the potential impact of climate related risks in its oversight of the Company's strategy. The Company recognises that human activity, including fossil fuel combustion, is contributing to increased levels of carbon dioxide in the atmosphere that modelling suggests can lead to changes in the global climate. The Company recognises that society is transitioning towards energy sources with low carbon dioxide emissions and supports this process. Even in the most ambitious energy transition scenarios, this process will be gradual. Oil and gas will continue to play an important role in the global economy for decades to come, and new sources of oil and gas supply are required for a sustainable energy transition. The Company therefore continues with a strategy of monetising its oil and gas assets through exploration, appraisal, development and production. The Company has committed to net zero carbon emissions from its current and future oil and gas operations by 2050 and is actively seeking to reduce or offset its Scope 1 and Scope 2 emissions, particularly in ways that directly benefit the Kimberley community. Buru has also implemented the Taskforce on Climate-related Financial Disclosures (TCFD) framework. The TCFD reporting and further information is included in the Company's inaugural Sustainability Report for the year ended 31 December 2021.

## REVIEW OF OPERATIONS

The Company also sees significant opportunity in leveraging its existing geological, engineering and commercial expertise to participate in the new energy economy. As part of this process it has established businesses that are exploring for natural hydrogen and battery minerals. It is also establishing expertise and operational capability for carbon dioxide capture and storage services through its Geovault subsidiary.

### COVID-19 Related Risks

Management of COVID related risks to Buru employees, contractors and local communities was an area of considerable focus during 2021. A wide range of strategies were implemented to mitigate the risks posed by COVID-19 including employment of predominantly local workforces which limit the impact of border restrictions on field operations, vaccination of site personnel, health monitoring and COVID-19 testing as required. As a result of these measures, there were no instances of COVID-19 at Buru sites during 2021 and no material impacts on operations.

### 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 2021, Buru Energy was not aware of any material non-compliance in relation to health safety or environmental legislation or regulations. Further information is included in the Company's inaugural Sustainability Report for the year ended 31 December 2021.

### Traditional Owner Engagement

No petroleum activity is 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.

A number of Nyikina Mangala, Yawuru and Warrwa Aboriginal employees work at the Ungani Oilfield operations and support our Kimberley operations more generally. The Company continues to comply with the relevant Ungani Traditional Owner agreements it has negotiated with appropriate native title holders and is meeting its targets for Aboriginal employment. 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 subject to a competitive tender and selection process. Further information is included in the Company's inaugural Sustainability Report for the year ended 31 December 2021.

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# DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of the Group comprising Buru Energy Limited and its subsidiaries for the year ended 31 December 2021 (Buru Energy or Group), and the auditor's report thereon. The remuneration report for the year ended 31 December 2021 on pages 19 to 23 forms part of the Directors' report.



Malcolm King, Robert Willes, Joanne Kendrick and Eric Streitberg.

# 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
<p><b>Mr Eric Streitberg</b> <b>Executive Chairman</b></p> <p>Eric 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.</p> <p>He is a Certified Petroleum Geologist and Geophysicist and holds a Bachelor of Science (App. Geoph.) from the University of Queensland.</p>	<p>Eric 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 which 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.</p> <p>Eric was previously a Director and Chair of the Australian Petroleum Production and Exploration Association and has also chaired the APPEA Exploration and Environment Committees. He is also a past Chair of the Marine Parks and Reserves Authority of Western Australia.</p> <p>Eric 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.</p>
<p><b>Mr Robert Willes</b> <b>Independent Non-executive Director</b></p> <p>Robert 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.</p>	<p>Robert has been a Director since July 2014 and has over 30 years of extensive international experience in the oil and gas and energy industries, covering senior commercial and leadership positions with BP as well as ASX and government board roles. His BP career included exploration &amp; production, gas &amp; power and global M&amp;A, with responsibility for numerous complex deals such as divestments, farm-ins, asset swaps, new acreage bids, unitisations, gas and LNG sales.</p> <p>A former Managing Director of Challenger Energy Ltd and CEO of Eureka Energy Limited, Robert is also a director of the Mid West Port Authority and has served on a number of boards including the Australian Petroleum Production and Exploration Association, 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.</p> <p>Robert is the Chair of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.</p>

Name, qualifications and independence status	Experience, special responsibilities, and other directorships
<p><b>Ms Joanne Kendrick</b> <b>Independent Non-executive Director</b></p> <p>(Appointed 22 February 2021)</p> <p>Joanne is a Petroleum/Reservoir Engineer holding a Bachelor of Engineering (Hons) from the University of Adelaide and is a member of the Australian Institute of Company Directors.</p>	<p>Joanne is an experienced industry professional with more than 25 years' experience in technical and executive roles with Woodside Petroleum, Newfield Exploration, Gulf Canada, Clyde Petroleum and Nido Petroleum.</p> <p>Joanne has been directly responsible for managing production operations, exploration drilling and development projects, capital raisings, asset transactions and joint venture interests throughout her career; including as Deputy Managing Director at ASX-listed Nido Petroleum for seven years.</p> <p>Joanne is currently a Non-Executive Director of 88 Energy Limited and Sargasco Limited. She was previously the Managing Director of Blue Star Helium, a Perth-based helium exploration and development company focused on activities in North America.</p> <p>Joanne is a member of both the Audit &amp; Risk and Remuneration &amp; Nomination Committees.</p>
<p><b>Mr Malcolm King</b> <b>Independent Non-executive Director</b></p> <p>(Appointed 22 February 2021)</p> <p>Malcolm has a Bachelor of Applied Science (Geology) degree from the University of Southern Queensland and a Master of Science (Petroleum Geology) from the University of Aberdeen, Scotland. He is a Member of Australian Institute of Company Directors and a graduate of the Australian Institute of Company Directors Director Program.</p>	<p>Malcolm has 35 years of upstream oil and gas experience, most of this with Shell in technical, commercial and leadership roles across Asia and Australia. His experience spans the exploration &amp; production and gas &amp; power businesses, participating in and leading exploration and M&amp;A campaigns, and working extensively in LNG operations, business development and market development. More recently Malcolm led Senex Energy's commercial and business development functions for the Cooper Basin oil and Queensland coal seam gas businesses. He currently provides consulting services to the energy industry and was an independent director on the board of Triangle Energy (Global) Ltd until February 2022.</p> <p>Malcolm is the Chair of Buru's Remuneration and Nomination Committee and a member of the Audit and Risk Committee.</p>
<p><b>Ms Samantha Tough</b> <b>Independent Non-executive Director</b></p> <p>(Appointed 23 February 2021, retired 6 May 2021)</p> <p>Samantha completed a Bachelor of Laws and Bachelor of Jurisprudence at the University of Western Australia. She is a Fellow of the Australian Institute of Company Directors.</p>	<p>Samantha worked as a barrister and solicitor before progressing to the commercial sector and has extensive experience across the energy and resources sectors. She held senior executive roles at Woodside Petroleum, Hardman Resources and the Commonwealth Bank. She is a director of the Clean Energy Finance Corporation and COAG National Energy Selection Panel. She is the Pro Vice Chancellor of Engagement at the University of Western Australia and Chair of Horizon Power. She has detailed knowledge of regional Western Australia and has served on the boards of several businesses and non-government organisations.</p> <p>Samantha was a member of the Remuneration and Nomination Committee. Ms Tough advised the Company that there was a potential conflict with other organisations in which she was involved and retired from the Board and all Committees on 6 May 2021.</p>

## DIRECTORS' REPORT

Name, qualifications and independence status	Experience, special responsibilities, and other directorships
<p><b>Ms Eve Howell</b>  <b>Independent Non-executive Director</b></p> <p>(Retired on 31 March 2021)</p> <p>Eve holds a Bachelor of Science (Geology and Mathematics) from King's College, London and an MBA from Heriot Watt University, Edinburgh. She is a Graduate of the Australian Institute of Company Directors.</p>	<p>Eve has over 40 years of technical and executive experience in the oil and gas industry, initially with Amoco Europe. In Australia, she worked for Apache Energy Ltd in roles including Managing Director and then with Woodside Energy Ltd as Executive Vice President North West Shelf (NWS) and CEO of the NWS Venture. Eve is currently a director of MMA Offshore Ltd. She has previously served as a director of Downer EDI Ltd, Tangiers Petroleum Ltd, Fremantle Port Authority, the Australian Petroleum Production and Exploration Association and President of the Australian Mines and Metals Association.</p> <p>Eve was a Director since July 2014. She was Chair of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee. Ms Howell retired from the Board and all Committees on 31 March 2021.</p>

### 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 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	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Eric Streitberg	16	16	4	4	4	4
Robert Willes	16	16	4	4	4	4
Joanne Kendrick	15	15	4	4	3	3
Malcolm King	15	15	4	4	3	3
Samantha Tough	5	3	-	-	-	-
Eve Howell	3	3	1	1	1	1

### 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. The Group has also been progressing a number of initiatives to ensure it is part of the energy transition both through both internal Buru activity and through three subsidiaries, 2H Resources (natural hydrogen), Geovault (Carbon Capture and Storage) and Battmin (battery minerals). Further information is included in the Review of Operations. There were no other significant changes in the nature of the Group's principal activities during the period.

## Review of Operations

The Review of Operations for the year ended 31 December 2021 is set out on pages 3 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 2021 was \$10,751,000 (31 December 2020: loss of \$28,823,000).

## Financial Position

The net assets of the Group totalled \$43,453,000 as at 31 December 2021 (31 December 2020: \$38,605,000).

## 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

### Impairment recorded subsequent to the end of the reporting period.

The Ungani 8 well was spudded on 18 December. During January, the well was drilled to a total measured depth of 2,605 metres into the Ungani Dolomite at a hole angle of some 76 degrees, substantially as planned. As the drill string was being retrieved prior to running the 9 $\frac{5}{8}$  inch casing it became stuck in the upper part of the Laurel Shale. Despite extensive efforts to recover the drill string it was unable to be freed. It was subsequently backed off at a depth of 2,206 metres measured depth and the remaining drill string was retrieved. Subsequent to analysis of the options for the forward program for the well it was agreed that ROC would undertake a sidetrack to complete the well as a sole risk operation. The Ungani 8 sidetrack was drilled to a measured depth of 2,473 metres in the Ungani Shale, with a further incident of stuck pipe and the well was suspended. All costs incurred undertaking the sidetrack were borne by ROC.

A non-cash impairment of \$8,031,000 was recorded after the end of the reporting period being Buru's share of costs associated with the Ungani 8 well incurred and capitalised as Oil and Gas Assets, including \$4,219,000 that had been incurred and capitalised as of 31 December 2021.

No other significant events have occurred subsequent to balance date that in the opinion of the directors has significantly affected, or may significantly affect in future financial years:

- ◆ The Group's operations; or
- ◆ The results of those operations; or
- ◆ The Group's state of affairs.

## 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 Review of Operations. 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.

## DIRECTORS' REPORT

### 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	21,425,409	-
Robert Willes	192,000	-
Malcolm King	66,600	-
Joanne Kendrick	-	-
<b>Total</b>	<b>21,684,009</b>	-

### Share Options

During the reporting period, a total of 8,000,000 unlisted options were granted to employees of the Company under the terms of the Company's Employee Share Option Plan (ESOP). No options have been granted to the Executive Chairman or any other Director. At the date of this report, the unissued shares of the Company under option were as follows:

Date of Expiry	Exercise Price	Number of shares under Option
31 December 2023	\$0.23	7,200,000

All share options are over ordinary shares in the Company. All options are unlisted, held by employees of the Company 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 19 to 23.

### 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 \$213,620 (2020: \$178,100) 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 2021, the amount paid or payable to the Group's auditor (KPMG Australia) for statutory and other audit and review services totalled \$88,767 (2020: \$88,667).

### 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, and fairly represents, information and supporting documentation prepared by Mr Eric Streitberg who is a Qualified Petroleum Resources Evaluator. Mr Streitberg who is an employee and Director of Buru Energy Limited 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.

# DIRECTORS' REPORT

## Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 24 and forms part of the Directors' Report for the year ended 31 December 2021.

## 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.



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**Mr Eric Streitberg**  
Executive Chairman

Perth  
18 March 2022



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**Mr Robert Willes**  
Non-executive Director

Perth  
18 March 2022

# REMUNERATION REPORT - AUDITED FOR THE YEAR ENDED 31 DECEMBER 2021

## Principles of remuneration - Audited

The Directors present their Remuneration Report for Buru Energy for the year ended 31 December 2021. 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, cost control and sustainability outcomes. All STI bonuses are subject to Board approval.

# REMUNERATION REPORT - AUDITED FOR THE YEAR ENDED 31 DECEMBER 2021

## 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. Employment contracts with all other current non-Director KMP are unlimited in term but capable of termination notice by either party, or by payment in lieu thereof at the discretion of the Company. Notice periods vary between one to three months.

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.

## REMUNERATION REPORT - AUDITED FOR THE YEAR ENDED 31 DECEMBER 2021

### 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				Total	Post-employment	Other long term	Termination benefits	Share-based payments		s300A(1)(e)(i) proportion of remuneration performance related	s300A(1)(e)(vi) value of share based payments as a proportion of remuneration
		Salary & Fees	Annual leave	STI cash bonus	Non-monetary benefits (A)		Super-annuation benefits	Long service leave accrued		ESOP (B)	Total (C)		
<b>Non-executive Directors</b>													
Mr R Willes, NED	2021	118,000	-	-	-	<b>118,000</b>	11,505	-	-	-	<b>129,505</b>	0.00%	0.00%
	2020	94,400	-	-	-	<b>94,400</b>	8,968	-	-	-	<b>103,368</b>	0.00%	0.00%
Ms J Kendrick, NED (Appointed February 2021)	2021	92,693	-	-	-	<b>92,693</b>	9,083	-	-	-	<b>101,776</b>	0.00%	0.00%
	2020	-	-	-	-	-	-	-	-	-	-	0.00%	0.00%
Mr M King, NED (Appointed February 2021)	2021	98,846	-	-	-	<b>98,846</b>	9,685	-	-	-	<b>108,531</b>	0.00%	0.00%
	2020	-	-	-	-	-	-	-	-	-	-	0.00%	0.00%
Ms S Tough, NED (Appointed February 2021 & retired May 2021)	2021	22,256	-	-	-	<b>22,256</b>	2,114	-	-	-	<b>24,370</b>	0.00%	0.00%
	2020	-	-	-	-	-	-	-	-	-	-	0.00%	0.00%
Ms E Howell, NED (Retired March 2021)	2021	29,500	-	-	-	<b>29,500</b>	2,803	-	-	-	<b>32,303</b>	0.00%	0.00%
	2020	94,400	-	-	-	<b>94,400</b>	8,968	-	-	-	<b>103,368</b>	0.00%	0.00%
<b>Total Non-executive Directors' Remuneration</b>	<b>2021</b>	<b>361,295</b>	-	-	-	<b>361,295</b>	<b>35,190</b>	-	-	-	<b>396,485</b>	<b>0.00%</b>	<b>0.00%</b>
	<b>2020</b>	<b>188,800</b>	-	-	-	<b>188,800</b>	<b>17,936</b>	-	-	-	<b>206,736</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Executive Directors</b>													
Mr E Streitberg, Executive Chairman	2021	492,420	38,766	-	22,215	<b>553,401</b>	49,126	4,426	-	-	<b>606,953</b>	0.00%	0.00%
	2020	419,300	33,686	-	20,147	<b>473,133</b>	41,602	14,337	-	-	<b>529,072</b>	0.00%	0.00%
<b>Total Directors' Remuneration</b>	<b>2021</b>	<b>853,715</b>	<b>38,766</b>	-	<b>22,215</b>	<b>914,696</b>	<b>84,316</b>	<b>4,426</b>	-	-	<b>1,003,438</b>		
	<b>2020</b>	<b>608,100</b>	<b>33,686</b>	-	<b>20,147</b>	<b>661,933</b>	<b>59,538</b>	<b>14,337</b>	-	-	<b>735,808</b>		

## REMUNERATION REPORT - AUDITED FOR THE YEAR ENDED 31 DECEMBER 2021

		Short term				Total	Post-employment	Other long term	Termination benefits	Share-based payments		s300A(1)(e)(i) proportion of remuneration related	s300A(1)(e)(vi) value of share based payments as a proportion of remuneration
		Salary & Fees	Annual leave	STI cash bonus	Non-monetary benefits (A)		Super-annuation benefits	Long service leave accrued		ESOP (B)	Total (C)		
<b>Executives</b>													
Mr S McDermott, Chief Financial Officer & Company Secretary	2021	272,883	22,231	-	5,739	<b>300,853</b>	28,178	5,914	-	38,177	<b>373,122</b>	0%	10%
	2020	235,090	19,452	-	5,721	<b>260,263</b>	24,023	5,573	-	-	<b>289,859</b>	0%	0%
Mr A Forcke, General Manager - Commercial	2021	339,150	27,462	-	8,788	<b>375,400</b>	34,808	3,904	-	76,355	<b>490,467</b>	0%	16%
	2020	237,200	36,727	-	8,699	<b>282,626</b>	23,317	2,400	-	-	<b>308,343</b>	0%	0%
Mr K Waddington, Chief Operating Officer	2021	318,379	25,538	-	6,424	<b>350,341</b>	32,370	11,230	-	57,266	<b>451,207</b>	0%	13%
	2020	315,400	25,538	-	6,393	<b>347,331</b>	31,540	9,669	-	-	<b>388,540</b>	0%	0%
<b>Total Executive Officer Remuneration</b>	<b>2021</b>	<b>930,412</b>	<b>75,231</b>	<b>-</b>	<b>20,951</b>	<b>1,026,594</b>	<b>95,356</b>	<b>21,048</b>	<b>-</b>	<b>171,798</b>	<b>1,314,796</b>		
	<b>2020</b>	<b>787,690</b>	<b>81,717</b>	<b>-</b>	<b>20,813</b>	<b>890,220</b>	<b>78,880</b>	<b>17,642</b>	<b>-</b>	<b>-</b>	<b>986,742</b>		
<b>Total Directors and Executive Officer Remuneration</b>	<b>2021</b>	<b>1,784,127</b>	<b>113,997</b>	<b>-</b>	<b>43,166</b>	<b>1,941,290</b>	<b>179,672</b>	<b>25,474</b>	<b>-</b>	<b>171,798</b>	<b>2,318,234</b>		
	<b>2020</b>	<b>1,395,790</b>	<b>115,403</b>	<b>-</b>	<b>40,960</b>	<b>1,552,153</b>	<b>138,418</b>	<b>31,979</b>	<b>-</b>	<b>-</b>	<b>1,722,550</b>		

Notes in relation to the table of KMP remuneration

- Non-monetary benefits to KMP relate to the provision of car parking, life insurance and salary continuance insurance.
- The fair value of the options issued under the ESOP in 2021 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.
- During the previous year (2020), in response to the pandemic crisis, the collapse in the price of oil, and the loss of stock market value, the fees paid to the Non-executive Directors were reduced to 60% of prior levels, and the Executive Chairman's salary was reduced to 45% of prior levels from 1 April 2020. Remuneration levels for executives were also reduced by varying amounts. In light of the recovery in the sector and the high level of corporate activity towards the last quarter of the 2020 year, the Non-executive Directors remuneration was restored to prior levels from October 2020 and the Executive Chairman's salary was adjusted to 80% of prior levels from 1 September 2020. Remuneration levels for executives were also restored to 100%.

## REMUNERATION REPORT - AUDITED FOR THE YEAR ENDED 31 DECEMBER 2021

### 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 21	Ceased to be a Director of Buru	Exercise of options	Purchased	Sold	Held at 31 Dec 21
Mr E Streitberg	21,225,409	-	-	200,000	-	21,425,409
Mr R Willes	132,000	-	-	60,000	-	192,000
Mr M King	-	-	-	66,600	-	66,600
Ms E Howell	294,000	(294,000)	-	-	-	-
Mr S McDermott	100,000	-	-	50,000	-	150,000
Mr A Forcke	1,000,000	-	-	400,000	-	1,400,000

J Kendrick and K Waddington did not hold any shares during the period.

### 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 21	Granted as remuneration	Exercised	Lapsed / Forfeited	Held at 31 Dec 21	Vested during the year	Vested and exercisable
Mr S McDermott	300,000	500,000	-	(300,000)	500,000	-	500,000
Mr A Forcke	300,000	1,000,000	-	(300,000)	1,000,000	-	1,000,000
Mr K Waddington	300,000	750,000	-	(300,000)	750,000	-	750,000

The share options that lapsed during the year were options granted on 15 April 2019 and expired on 31 December 2021.

During the reporting period, a total of 8,000,000 unlisted options were granted to employees of the Company under the terms of the ESOP. This included 2,250,000 unlisted options to KMPs. No options have been granted to the Executive Chairman or any other Director. The options have an exercise price of \$0.23 and an expiry date of 31 December 2023. All options vested immediately and were exercisable from the grant date of 17 February 2021. 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.

The assumptions used to value the options granted under the ESOP to KMP are detailed below.

	Mr S McDermott	Mr A Forcke	Mr K Waddington
Underlying security spot price	\$0.14	\$0.14	\$0.14
Strike / exercise price	\$0.23	\$0.23	\$0.23
Risk free rate (bond rate with duration the same as option)	0.12%	0.12%	0.12%
Dividend rate (decrease in Share Price)	0%	0%	0%
Grant date	17 Feb 21	17 Feb 21	17 Feb 21
Vesting date	17 Feb 21	17 Feb 21	17 Feb 21
Expiry date	31 Dec 23	31 Dec 23	31 Dec 23
Time to expiry (years)	2.87	2.87	2.87
Volatility (annualised)	113%	113%	113%
Valuation per option	\$0.076	\$0.076	\$0.076
Number of options	500,000	1,000,000	750,000
Value recognised to date	\$38,177	\$76,355	\$57,266
Value still to be recognised	-	-	-

# AUDITOR'S INDEPENDENCE DECLARATION



## 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 2021 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

Jane Bailey

KPMG

Jane Bailey  
Partner  
Perth  
18 March 2022

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# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

<i>in thousands of AUD</i>	Note	31 December 2021	31 December 2020
<b>Current Assets</b>			
Cash and cash equivalents	11a	23,723	21,428
Trade and other receivables	9	919	5,926
Inventories	10	2,035	1,743
<b>Total Current Assets</b>		<b>26,677</b>	<b>29,097</b>
<b>Non-Current Assets</b>			
Oil and gas assets	6	22,028	19,328
Exploration and evaluation expenditure	7	9,501	-
Property, plant and equipment	8	3,349	3,532
<b>Total Non-Current Assets</b>		<b>34,878</b>	<b>22,860</b>
<b>Total Assets</b>		<b>61,555</b>	<b>51,957</b>
<b>Current Liabilities</b>			
Trade and other payables	14	8,953	4,744
Lease liabilities	8	1,249	1,244
Provisions	16	1,776	1,812
<b>Total Current Liabilities</b>		<b>11,978</b>	<b>7,800</b>
<b>Non-Current Liabilities</b>			
Lease Liabilities	8	790	878
Provisions	16	5,334	4,674
<b>Total Non-Current Liabilities</b>		<b>6,124</b>	<b>5,552</b>
<b>Total Liabilities</b>		<b>18,102</b>	<b>13,352</b>
<b>Net Assets</b>		<b>43,453</b>	<b>38,605</b>
<b>Equity</b>			
Contributed equity	12	286,891	271,857
Reserves		565	528
Accumulated losses		(244,003)	(233,780)
<b>Total Equity</b>		<b>43,453</b>	<b>38,605</b>

The notes on pages 29 to 56 are an integral part of these consolidated financial statements

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

<i>in thousands of AUD</i>	Note	31 December 2021	31 December 2020
Revenue	2	9,608	11,304
Cost of sales		(6,541)	(6,853)
Movement in crude inventories		1,521	(944)
Amortisation of oil and gas assets	6	(2,949)	(5,746)
<b>Gross profit / (loss)</b>		<b>1,639</b>	<b>(2,239)</b>
Exploration and evaluation expenditure		(9,241)	(3,453)
Impairment of exploration expenditure	7	-	(720)
Impairment of oil and gas expenditure	6	-	(20,000)
Increase in provisions against inventories	10	(32)	(907)
Corporate and administrative expenditure	3	(2,743)	(1,676)
Share based payment expenses	17	(565)	-
Movement in fair value of financial assets		-	(53)
<b>Results from operating activities</b>		<b>(10,942)</b>	<b>(29,048)</b>
Net finance income / (expense)	4	191	225
<b>Profit / (loss) before income tax</b>		<b>(10,751)</b>	<b>(28,823)</b>
Income tax expense	5	-	-
<b>Total comprehensive income / (loss)</b>		<b>(10,751)</b>	<b>(28,823)</b>
<b>Earnings / (loss) per share (cents) and diluted earnings / (loss) per share (cents)</b>	13	<b>(2.15)</b>	<b>(6.67)</b>

The notes on pages 29 to 56 are an integral part of these consolidated financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

<i>in thousands of AUD</i>	Share capital \$	Share based payment reserve \$	Accumulated losses \$	Total equity \$
<b>Balance as at 1 January 2020</b>	<b>271,857</b>	<b>1,094</b>	<b>(205,523)</b>	<b>67,428</b>
<b>Comprehensive loss for the period</b>				
Loss for the period	-	-	(28,823)	<b>(28,823)</b>
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(28,823)</b>	<b>(28,823)</b>
<b>Transactions with owners recorded directly in equity</b>				
Share based payment transactions	-	-	-	-
Share options exercised or forfeited	-	(566)	566	-
<b>Total transactions with owners recorded directly in equity</b>	<b>-</b>	<b>(566)</b>	<b>566</b>	<b>-</b>
<b>Balance as at 31 December 2020</b>	<b>271,857</b>	<b>528</b>	<b>(233,780)</b>	<b>38,605</b>

<i>in thousands of AUD</i>	Share capital \$	Share based payment reserve \$	Accumulated losses \$	Total equity \$
<b>Balance as at 1 January 2021</b>	<b>271,857</b>	<b>528</b>	<b>(233,780)</b>	<b>38,605</b>
<b>Comprehensive loss for the period</b>				
Loss for the period	-	-	(10,751)	<b>(10,751)</b>
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(10,751)</b>	<b>(10,751)</b>
<b>Transactions with owners recorded directly in equity</b>				
Issue of ordinary shares, net of transaction costs	15,034	-	-	<b>15,034</b>
Share based payment transactions	-	565	-	<b>565</b>
Share options forfeited	-	(528)	528	-
<b>Total transactions with owners recorded directly in equity</b>	<b>15,034</b>	<b>37</b>	<b>528</b>	<b>15,599</b>
<b>Balance as at 31 December 2021</b>	<b>286,891</b>	<b>565</b>	<b>(244,003)</b>	<b>43,453</b>

The notes on pages 29 to 56 are an integral part of these consolidated financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

<i>in thousands of AUD</i>	Note	31 December 2021	31 December 2020
<b>Cash flows from operating activities</b>			
Cash receipts from sales		9,608	11,304
Cash receipts from JobKeeper Payment scheme	3	119	1,060
Payments to suppliers and employees		(8,690)	(9,164)
Payments for exploration and evaluation		(6,990)	(5,397)
<b>Net cash outflow from operating activities</b>	11b	<b>(5,953)</b>	<b>(2,197)</b>
<b>Cash flows from investing activities</b>			
Interest received		77	323
Receipts from sale of plant and equipment		15	-
Payments for plant and equipment		-	-
Payments for capitalised exploration and evaluation		(3,286)	-
Payments for oil and gas development		(2,478)	(5,694)
<b>Net cash outflow from investing activities</b>		<b>(5,672)</b>	<b>(5,371)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		15,034	-
Payments for lease liabilities		(1,241)	(1,326)
Repayment of loan and interest	15	-	(2,086)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>13,793</b>	<b>(3,412)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,168</b>	<b>(10,980)</b>
Cash and cash equivalents at the beginning of the period		21,428	32,417
Effect of exchange rate changes on cash and cash equivalents		127	(9)
<b>Cash and cash equivalents at end of the period</b>	11a	<b>23,723</b>	<b>21,428</b>

The notes on pages 29 to 56 are an integral part of these consolidated financial statements

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

## 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 2021 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 18 March 2022. 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 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 8 – Right-of-use assets
- Note 16 – Provisions
- Note 17 – Measurement of share-based payments

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

## 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 northwest Western Australia. The reportable operating segments are based on the Group's strategic business units: oil production, exploration and energy transition. 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 the following:
  - the Rafael area where the Rafael 1 exploration well was drilled in 2021 with a subsequent successful flow test of gas to surface;
  - the Yulleroo area where gas resources have been identified in the Laurel Formation;
  - several other prospects along the Ungani oil trend;
  - the Lennard Shelf area including the shut-in Blina and Sundown Oilfields;
  - the Carnarvon basin where during the year, Buru accepted an offer for a 50% interest in block L20-1; and
  - evaluation of the other areas in the Group's portfolio.
- ◆ Energy Transition: The Company is progressing a number of initiatives to ensure it is part of the energy transition through three subsidiaries, 2H Resources (natural hydrogen), Geovault (Carbon Capture and Storage) and Battmin (Battery Minerals).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 unallocated segment represents a reconciliation of reportable segments revenues, profit or loss and assets to the consolidated figures.

Profit or loss <i>in thousands of AUD</i>	Oil Production		Exploration		Energy Transition		Unallocated		Total	
	Dec 21	Dec 20	Dec 21	Dec 20	Dec 21	Dec 20	Dec 21	Dec 20	Dec 21	Dec 20
External revenues	9,608	11,304	-	-	-	-	-	-	<b>9,608</b>	<b>11,304</b>
Cost of sales	(6,541)	(6,853)	-	-	-	-	-	-	<b>(6,541)</b>	<b>(6,853)</b>
Movement in crude inventories	1,521	(944)							<b>1,521</b>	<b>(944)</b>
Amortisation of oil and gas assets	(2,949)	(5,746)	-	-	-	-	-	-	<b>(2,949)</b>	<b>(5,746)</b>
<b>Gross Profit / (Loss)</b>	<b>1,639</b>	<b>(2,239)</b>	-	-	-	-	-	-	<b>1,639</b>	<b>(2,239)</b>
Exploration and evaluation expenditure	-	-	(8,187)	(3,453)	(1,054)	-	-	-	<b>(9,241)</b>	<b>(3,453)</b>
Impairment of exploration expenditure	-	-	-	(720)	-	-	-	-	-	<b>(720)</b>
Impairment of oil and gas expenditure	-	(20,000)	-	-	-	-	-	-	-	<b>(20,000)</b>
Increase in provisions against inventories	-	-	(32)	(907)	-	-	-	-	<b>(32)</b>	<b>(907)</b>
Depreciation expense	-	-	-	-	-	-	(1,386)	(1,288)	<b>(1,386)</b>	<b>(1,288)</b>
Corporate and administrative expenditure	-	-	-	-	-	-	(1,357)	(388)	<b>(1,357)</b>	<b>(388)</b>
Share based payment expenses	-	-	-	-	-	-	(565)	-	<b>(565)</b>	-
Movement in fair value of financial assets	-	-	-	-	-	-	-	(53)	-	<b>(53)</b>
<b>EBIT</b>	<b>1,639</b>	<b>(22,239)</b>	<b>(8,219)</b>	<b>(5,080)</b>	<b>(1,054)</b>	-	<b>(3,308)</b>	<b>(1,729)</b>	<b>(10,942)</b>	<b>(29,048)</b>
Net finance income / (expense)	-	-	-	-	-	-	191	225	<b>191</b>	<b>225</b>
<b>Reportable segment profit / (loss) before tax</b>	<b>1,639</b>	<b>(22,239)</b>	<b>(8,219)</b>	<b>(5,080)</b>	<b>(1,054)</b>	-	<b>(3,117)</b>	<b>(1,504)</b>	<b>(10,751)</b>	<b>(28,823)</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

<b>Total Assets</b> <i>in thousands of AUD</i>	<b>Oil Production</b>		<b>Exploration</b>		<b>Energy Transition</b>		<b>Unallocated</b>		<b>Total</b>	
	<b>Dec 21</b>	<b>Dec 20</b>	<b>Dec 21</b>	<b>Dec 20</b>	<b>Dec 21</b>	<b>Dec 20</b>	<b>Dec 21</b>	<b>Dec 20</b>	<b>Dec 21</b>	<b>Dec 20</b>
Current assets	1,776	337	259	1,488	-	-	24,642	27,272	<b>26,677</b>	<b>29,097</b>
Oil and gas assets	22,028	19,328	-	-	-	-	-	-	<b>22,028</b>	<b>19,328</b>
Exploration and evaluation assets	-	-	9,501	-	-	-	-	-	<b>9,501</b>	-
Property, plant and equipment	-	-	-	-	-	-	3,349	3,532	<b>3,349</b>	<b>3,532</b>
Financial assets	-	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>23,804</b>	<b>19,665</b>	<b>9,760</b>	<b>1,488</b>	-	-	<b>27,991</b>	<b>30,804</b>	<b>61,555</b>	<b>51,957</b>
<b>Capital Expenditure</b>	<b>5,649</b>	<b>3,108</b>	<b>9,501</b>	-	-	-	<b>8</b>	-	<b>15,158</b>	<b>3,108</b>
<b>Total Liabilities</b>					-	-				
Current liabilities	4,331	4,067	5,220	1,691	-	-	2,427	2,042	<b>11,978</b>	<b>7,800</b>
Lease liabilities (Non-current)	553	615	158	176	-	-	79	87	<b>790</b>	<b>878</b>
Loans and borrowings (Non-current)	-	-	-	-	-	-	-	-	-	-
Provisions (Non-current)	1,641	1,503	3,328	2,876	-	-	365	295	<b>5,334</b>	<b>4,674</b>
<b>Total Liabilities</b>	<b>6,525</b>	<b>6,185</b>	<b>8,706</b>	<b>4,743</b>	-	-	<b>2,871</b>	<b>2,424</b>	<b>18,102</b>	<b>13,352</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 2. Revenue

<i>in thousands of AUD</i>	31 Dec 2021	31 Dec 2020
Sales of crude oil	9,575	11,716
Timing effect of revenue	33	(412)
	9,608	11,304

#### Accounting Policy

Revenue is recognised when a customer obtains control of the goods or 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 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 timing effect of revenue. Payment terms for invoices are thirty days from the Bill of Lading date.

### 3. Corporate and Administrative Expenditure

<i>in thousands of AUD</i>	31 Dec 2021	31 Dec 2020
Corporate and other administration expenses	2,743	1,676

The above expense excludes share-based payments disclosed at note 17.

Corporate and administrative expenditure was significantly reduced during the previous year (2020) as the Company took temporary decisive cost cutting measures to preserve the Company's balance sheet. Corporate and office staff including the Executive Chairman and the Board had their remuneration reduced between 20% to 75% for up to 6 months, and other non-personnel overheads were also reduced to the full extent practicable. 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 JobKeeper payments, which totalled \$119,000 in the year ended 31 December 2021 (31 December 2020: \$1,060,000) which have been offset against corporate and administrative expenditure. Total personnel expenses for the 2021 year amounted to \$5,478,000, (2020: \$6,580,000) prior to amounts received under the JobKeeper payment scheme and Joint Venture reimbursements. Net personnel expenses are included in Cost of Sales, Exploration and Evaluation Expenditure and Corporate and Administrative Expenditure.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 4. Net Finance Income / (Expense)

<i>in thousands of AUD</i>	31 Dec 2021	31 Dec 2020
<b>Finance Income</b>		
Interest income on bank deposits and receivables	55	275
	55	275
<b>Finance Expense</b>		
Interest expense on borrowings (note 15)	-	(86)
Interest income / (expense) on lease liabilities	9	45
Net foreign exchange gain / (loss)	127	(9)
	136	(50)
Net finance income / (expense) recognised in profit or loss	191	225

#### Accounting Policy

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 5. Taxation

<i>in thousands of AUD</i>	31 Dec 2021	31 Dec 2020
<b>Current income tax</b>		
Current income tax charge	-	-
Adjustments in respect of previous current income tax	-	-
	-	-
<b>Deferred income tax</b>		
Tax relating to origination and reversal of temporary differences	-	-
	-	-
<b>Total income tax expense reported in equity</b>	-	-
<b>Numerical reconciliation between tax expense and pre-tax accounting profit</b>		
Accounting profit / (loss) before tax	(10,751)	(28,823)
Income tax (expense) / benefit using the domestic corporation tax rate of 30%	3,225	8,647
(Increase) / decrease in income tax due to:		
Non-deductible expenses	(180)	(2)
Temporary differences and tax losses not brought to account as a DTA	(3,045)	(8,645)
Tax losses utilised	-	-
Income tax benefit / (expense) on pre-tax loss	-	-

#### Accounting Policy

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### Unrecognised net deferred tax assets

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

<i>in thousands of AUD</i>	31 Dec 2021	31 Dec 2020	Movement
<b>Deferred tax assets</b>			
Business related costs	-	1	(1)
Accruals	15	15	-
Provisions	2,151	1,962	189
Development expenditure	3,770	5,020	(1,250)
Exploration expenditure	(2,850)	216	(3,066)
Lease liabilities	612	637	(25)
Tax losses	53,615	46,200	7,415
Unrealised foreign exchange	(17)	22	(39)
	57,296	54,073	3,223
<b>Deferred tax liabilities</b>			
Property, plant and equipment	(293)	(310)	17
Investments in listed entities	(24)	(24)	-
Rehabilitation	(516)	(474)	(42)
Lease assets	(615)	(644)	29
	(1,448)	(1,452)	4
<b>Net DTA not brought to account</b>	55,848	52,621	3,227

### Accounting Policy

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### **Tax consolidation**

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

### **Tax effect accounting by members of the Consolidated Group**

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

### **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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 6. Oil and Gas Assets

<i>in thousands of AUD</i>	31 Dec 2021	31 Dec 2020
Carrying amount at beginning of the period	19,328	41,966
Impairment of oil and gas assets	-	(20,000)
Development expenditure	5,649	3,108
Transfer from property, plant and equipment	-	-
Amortisation expense	(2,949)	(5,746)
Carrying amount at the end of the period	22,028	19,328

#### 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 their estimated life 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 prepares 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 the remaining life of the Oilfield.

#### Impairment recorded against the Ungani Oilfield in the prior period (2020)

As a result of the COVID-19 pandemic and the very significant fall in global crude prices during 2020, and lower production rates than expected from the Ungani 7 well, the Company conducted a detailed review of the recoverable amount of the Ungani Oilfield Cash Generating Unit (CGU). The assessment indicated that the asset was unlikely to recover its pre-impairment carrying value in full and a non-cash impairment of \$20,000,000 was recorded for the year. The recoverable amount for the Ungani Oilfield CGU is based on a Fair Value Less Cost to Dispose (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 31 December 2020 represents its recoverable amount. The FVLCD valuation will result in a higher fair value than the Value in Use (VIU) valuation. For further information refer to the 2020 Annual Report.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 7. Exploration and Evaluation Expenditure

<i>in thousands of AUD</i>	31 Dec 2021	31 Dec 2020
Carrying amount at beginning of the period	-	720
Exploration assets additions	9,501	-
Impairment of exploration expenditure	-	(720)
Movement in rehabilitation provision for exploration assets	-	-
Carrying amount at the end of the period	9,501	-

#### 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 drilling successful wells and the costs of acquiring interests in new exploration assets, and appraisal costs relating to determining development feasibility, which are capitalised as an asset.

An exploration/appraisal well is unsuccessful if no recoverable hydrocarbons are identified, or the Board considers that the hydrocarbons are not commercially viable. Where hydrocarbon resources exist, the costs of successful wells may remain capitalised where further appraisal of the discovery is planned. If this further appraisal does not lead to the discovery of commercially recoverable reserves, all these costs would be impaired. Exploration and evaluation expenditure is accumulated on a well-by-well basis and may be carried forward at the end of a reporting period, pending determination.

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

The Rafael 1 exploration well was capitalised during the 2021 year with initial results from the well suggesting potential for a substantial accumulation of high quality gas to be present in the structure. Although the exploration activities at Rafael 1 have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves, significant further exploration operations are planned at Rafael 1 over the coming years.

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

<i>in thousands of AUD</i>	Plant and equipment	Right-of-use assets	Other	Cultural assets	Total
<b>Cost</b>					
Carrying amount at 1 Jan 2020	1,406	3,263	5	877	5,551
Additions	-	1,273	-	-	1,273
Disposals	-	-	(5)	-	(5)
Balance at 31 Dec 2020	1,406	4,536	-	877	6,819
Carrying amount at 1 Jan 2021	1,406	4,536	-	877	6,819
Additions	8	1,195	-	-	1,203
Disposals	(35)	-	-	-	(35)
Balance at 31 Dec 2021	1,379	5,731	-	877	7,987
<b>Depreciation</b>					
Carrying amount at 1 Jan 2020	(784)	(1,210)	(5)	-	(1,999)
Depreciation for the period	(111)	(1,182)	5	-	(1,288)
Disposal	-	-	-	-	-
Transfer	-	-	-	-	-
Balance at 31 Dec 2020	(895)	(2,392)	-	-	(3,287)
Carrying amount at 1 Jan 2021	(895)	(2,392)	-	-	(3,287)
Depreciation for the period	(95)	(1,291)	-	-	(1,386)
Disposal	35	-	-	-	35
Balance at 31 Dec 2021	(955)	(3,683)	-	-	(4,638)
<b>Carrying amounts</b>					
At 31 December 2020	511	2,144	-	877	3,532
At 31 December 2021	424	2,048	-	877	3,349

#### Accounting Policy

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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
◆ 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.

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 evaluation criteria 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.

### Right-of-use assets and lease liabilities

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%. As at the end of the reporting year, the Group's current lease liabilities were \$1,249,000 (2020: \$1,244,000) and non-current lease liabilities were \$790,000 (2020: \$878,000).

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).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 9. Trade and Other Receivables

<i>in thousands of AUD</i>	31 Dec 2021	31 Dec 2020
Accrued income	-	82
Interest receivable	19	23
Joint operation receivables	-	238
GST receivable	235	53
Prepayments	207	405
Receivable from Origin in recognition of past exploration costs	-	1,000
Receivable from Origin in recognition of specific past well costs	-	593
Receivable from Origin for initial payment towards farm-in	-	3,407
Insurance refund receivable	452	-
Other receivables	6	125
<b>Total</b>	<b>919</b>	<b>5,926</b>

The Group's exposure to credit and currency risks and impairment losses related to trade receivables are disclosed in note 24.

### 10. Inventories

<i>in thousands of AUD</i>	31 Dec 2021	31 Dec 2020
Materials and consumables at net realisable value	259	1,488
Petroleum products at cost	1,776	255
<b>Total</b>	<b>2,035</b>	<b>1,743</b>

#### Accounting Policy

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 production materials and consumables, 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 an increase in provisions against inventories of \$32,000 (2020: \$907,000).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 11. (a) Cash and Cash Equivalents

<i>in thousands of AUD</i>	31 Dec 2021	31 Dec 2020
Bank balances	9,509	3,715
Term deposits available at call	14,214	17,713
Cash and cash equivalents in the statement of cash flows	23,723	21,428

The Group's exposure to interest rate risk and sensitivity analysis for financial assets is disclosed in note 24.

### (b) Reconciliation of Cash Flows from Operating Activities

<i>in thousands of AUD</i>	Note	31 Dec 2021	31 Dec 2020
<b>Cash flows from operating activities</b>			
Income / (Loss) for the period		(10,751)	(28,823)
Adjustments for:			
Depreciation	8	1,386	1,288
Amortisation on development expenditure	6	2,949	5,746
Increase in provisions against inventories	10	32	907
Impairment of oil and gas assets	6	-	20,000
Impairment of exploration expenditure	7	-	720
(Gain) / loss on asset disposal		(23)	-
Share based payment expenses		565	-
Pursuant to Origin Farm-in Agreement reimbursement of past exploration costs	9	-	(1,000)
Pursuant to Origin Farm-in Agreement reimbursement of past well costs	9	-	(593)
Insurance refund receivable	9	452	-
Net finance (income) / costs	4	(191)	(225)
<b>Operating loss before changes in working capital and provisions</b>		<b>(5,581)</b>	<b>(1,980)</b>
<b>Changes in working capital</b>			
Change in trade and other receivables		1,001	(686)
Change in trade and other payables		(716)	(679)
Change in inventories		(1,281)	960
Change in provisions		624	136
Change in financial assets		-	52
Cash used in operating activities		(372)	(217)
Net cash outflow from operating activities		(5,953)	(2,197)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 12. Capital and Reserves

#### Share capital

	Ordinary Shares 31 Dec 2021 No.	Ordinary Shares 31 Dec 2020 No.
Fully paid shares on issue at the beginning of the period	432,074,241	432,074,241
Issued under Institutional Placement – 6 May 2021	100,000,000	-
Issued under Share Purchase Plan – 10 June 2021	6,368,750	-
On issue at the end of the period – fully paid	538,442,991	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.

On 30 April, Buru announced a successful share placement, receiving firm commitments from institutional, professional and sophisticated investors to raise a total of \$15 million before costs (Placement) resulting in the issue of 100,000,000 new shares at the Placement issue price of \$0.15. The Placement shares were issued on 6 May 2021 under the Company's placement capacity pursuant to ASX Listing Rule 7.1 (64,811,136 shares) and ASX Listing Rule 7.1A (35,188,864 shares). Approximately \$1 million before costs was further raised from existing shareholders in the accompanying Share Purchase Plan (SPP) resulting in the issue of 6,368,750 new shares at the SPP issue price of \$0.16.

### 13. Earnings / (Loss) Per Share

<i>in thousands of AUD</i>	31 Dec 2021	31 Dec 2020
Earnings / (loss) attributable to ordinary shareholders	(10,751)	(28,823)

#### Basic and diluted earnings / (loss) per share

Weighted average number of ordinary shares

	31 Dec 2021 No.	31 Dec 2020 No.
Issued ordinary shares at beginning of the period	432,074,241	432,074,241
Effect of shares issued	69,038,973	-
Weighted average number of ordinary shares at the end of the period	501,113,214	432,074,241
Basic and dilutive loss per share calculated using the weighted average number of ordinary shares at the end of the period (cents)	(2.15)	(6.67)

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 7,400,000 options, are not considered dilutive as the options were 'out of the money' as at 31 December 2021.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 14. Trade and Other Payables

<i>in thousands of AUD</i>	31 Dec 2021	31 Dec 2020
Trade payables	750	337
Accruals	5,398	950
Joint Venture cash calls received in advance	2,797	3,407
Other payables	8	50
	8,953	4,744

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

### 15. Loans and Borrowings

<i>in thousands of AUD</i>	31 Dec 2021	31 Dec 2020
Borrowings at beginning of the year	-	2,000
Interest expense	-	86
Repayment to Alcoa	-	(2,086)
Loan at the end of the year	-	-

#### Accounting Policy

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 24. All borrowings relating to the amount payable to Alcoa under a legacy gas sales agreement was repaid in 2020. The Company has no outstanding loans or borrowings as at 31 December 2021.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 16. Provisions

<i>in thousands of AUD</i>	31 Dec 2021	31 Dec 2020
<b>Current</b>		
Provision for annual leave	1,141	1,134
Provision for long-service leave	142	185
Provision for site restoration	493	493
	1,776	1,812
<b>Non-Current</b>		
Provision for long-service leave	365	295
Provision for site restoration	4,969	4,379
	5,334	4,674
<b>Movements in the site restoration provision</b>		
<i>in thousands of AUD</i>	31 Dec 2021	31 Dec 2020
Opening balance	4,872	4,920
Provision used during the period	(192)	(65)
Revaluation of provision during the period	782	17
Balance at the end of the period	5,462	4,872

#### Accounting Policy

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 annual internal review of the liabilities. These liabilities are also reviewed by independent external consultants as and when required. 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.

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 of 0.30% 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 17. Share-based Payments

<i>Fair value expensed in thousands of AUD</i>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
Employee Share Option Plan expense	565	-
	565	-

#### Accounting Policy

The grant date fair value of share-based payments 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.

A total of 8,000,000 unlisted options were granted to employees of the Company under the terms of the Employee Share Option Plan (ESOP) during the reporting period. The options have an exercise price of \$0.23 and an expiry date of 31 December 2023. All options vested immediately and were exercisable from the grant date of 17 February 2021. Refer to the Remuneration Report for the assumptions used to value the options granted under the ESOP to KMP.

#### *Employee Share Option Plan (ESOP)*

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

	<b>Weighted average exercise price (\$)</b>	<b>Number of options</b>
Outstanding unlisted options as at 1 January 2021	0.40	4,850,000
Lapsed during the period ended 31 December 2021	0.40	(4,850,000)
Granted on 17 February 2021	0.23	8,000,000
Lapsed during the period ended 31 December 2021	0.23	(600,000)
Outstanding as at 31 December 2021	0.23	7,400,000

The unlisted share options outstanding as at 31 December 2021 have a weighted average exercise price of \$0.23 (Dec 2020: \$0.40), and a weighted average contractual life of 2 years (Dec 2020: 1 year).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 18. Group Entities

Parent entity	Country of incorporation	Ownership interest	Ownership interest
Buru Energy Limited	Australia		
<b>Subsidiaries</b>		<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
Royalty Holding Company Pty Limited	Australia	100%	100%
Buru Operations Pty Limited	Australia	100%	100%
Noonkanbah Diamonds Pty Limited	Australia	100%	100%
Buru Fitzroy Pty Limited	Australia	100%	100%
Battmin Pty Ltd (formerly Acorn Minerals Pty Ltd)	Australia	100%	100%
2H Resources Pty Limited	Australia	100%	0%
Geovault Pty Limited	Australia	100%	0%

Buru Energy Limited is the head entity of the tax consolidated group and all subsidiaries are members of the tax consolidated group. 2H Resources Pty Limited was incorporated during the year as a special purpose vehicle established to explore for and commercialise natural hydrogen accumulations. Geovault Pty Limited was incorporated during the year as a special purpose vehicle to develop the expertise for the geological requirements for effective and commercially viable carbon capture and storage.

### 19. Parent Entity Disclosures

As at, and throughout the year ended 31 December 2021 the parent company of the Group was Buru Energy Limited.

<i>in thousands of AUD</i>	Company 12 months ended 31 Dec 2021	Company 12 months ended 31 Dec 2020
<b>Result of the parent entity</b>		
Total comprehensive profit / (loss) for the period	(9,030)	(27,630)
<b>Financial position of the parent entity at year end</b>		
Current assets	27,017	29,603
Total assets	61,475	51,956
Current liabilities	11,898	7,800
Total liabilities	18,022	13,351
<b>Total equity of the parent entity at year end</b>		
Share capital	286,891	271,857
Reserves	565	528
Accumulated losses	(244,003)	(233,780)
Total equity	43,453	38,605

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 20. 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 2021 whose principal activities were oil and gas exploration, development and production.

Permit/Joint Operation	December 2021 Beneficial Interest	December 2020 Beneficial Interest	Operator	Country
L20	50.00%	50.00%	Buru Energy Ltd	Australia
L21	50.00%	50.00%	Buru Energy Ltd	Australia
EP 129 <sup>3</sup>	50.00%	50.00%	Buru Energy Ltd	Australia
EP 391 <sup>2</sup>	50.00%	50.00%	Buru Energy Ltd	Australia
EP 428	50.00%	50.00%	Buru Energy Ltd	Australia
EP 431	50.00%	50.00%	Buru Energy Ltd	Australia
EP 436 <sup>2</sup>	50.00%	50.00%	Buru Energy Ltd	Australia
EP 457 <sup>1</sup>	40.00%	60.00%	Buru Fitzroy Pty Ltd	Australia
EP 458 <sup>1</sup>	40.00%	60.00%	Buru Fitzroy Pty Ltd	Australia
E04/2674	50.00%	0%	Sipa Resources Ltd	Australia
E04/2684	50.00%	0%	Sipa Resources Ltd	Australia
L20-1	50.00%	0%	Buru Energy Ltd	Australia

1 The transfer of each 20% interest to Origin Energy in these permits was registered by DMIRS on 7 Jan 2022

2 Origin Energy's interests in EP 391 and EP 436 exclude the Yulleroo Gasfield Area

3 Buru's interest in EP 129 exclude the Backreef Area

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 21. Capital and Other Commitments

<i>in thousands of AUD</i>	31 Dec 2021	31 Dec 2020
<b>Exploration expenditure commitments</b>		
<i>Contracted but not yet provided for and payable:</i>		
Within one year	302	1,700
One year later and no later than five years	1,993	280
	2,295	1,980

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.

### 22. Contingencies

There were no material contingent liabilities or contingent assets for the Group as at 31 December 2021 (31 Dec 2020: nil).

### 23. Related Parties

*Key management personnel compensation*

The key management personnel compensation comprised:

<i>in AUD</i>	31 Dec 2021	31 Dec 2020
Short term employee benefits	1,941,290	1,552,153
Post-employment benefits	179,672	138,418
Long term employee benefits	25,474	31,979
Share-based payments	171,798	-
	2,318,234	1,722,550

*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 19 to 23.

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.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

## 24. 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:

<i>in thousands of AUD</i>	Note	Carrying amount	
		31 Dec 2021	31 Dec 2020
Cash and cash equivalents and term deposits at call	11a	23,723	21,428
Trade and other receivables	9	919	5,926
		24,642	27,354

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, insurance refund 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 2021, no receivables were more than 30 days past due. The Group has always received full consideration for all Ungani sales within thirty 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.

<i>in thousands of AUD</i>	31 Dec 2021		31 Dec 2020	
	Less than 1 year	1 - 5 years	Less than 1 year	1 - 5 years
Lease liabilities	1,249	790	1,244	878
Trade and other payables	8,953	-	4,744	-
	10,202	790	5,988	878

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 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:

<i>in thousands</i>	31 Dec 2021		31 Dec 2020	
	AUD	USD	AUD	USD
Cash and cash equivalents	112	81	205	158
Accrued income	-	-	82	63
Gross balance sheet exposure	112	81	287	221

The average exchange rate from AUD to USD during the period was AUD 1.0000 / USD 0.7514 (Dec 2020: AUD 1.0000 / USD 0.6906). The reporting date spot rate was AUD 1.0000 / USD 0.7256 (Dec 2020: AUD 1.0000 / USD 0.7702). 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 \$969,000 (Dec 2020: increased loss after tax by \$1,138,000). 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 \$969,000 (Dec 2020: decreased loss after tax by \$1,138,000). 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 differential against the dated Brent crude. The Group does not hedge its commodity price exposure and the Group did not enter into any commodity derivative contracts during the year.

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

<i>in thousands</i>	31 Dec 2021		31 Dec 2020	
	AUD	USD	AUD	USD
Sales of crude oil	-	-	82	63
Gross balance sheet exposure	-	-	82	63

The average Brent Platts price for crude sold over the period was AUD 89/bbl (Dec 2020: AUD 52/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 \$969,000 (Dec 2020: decreased loss after tax by \$1,138,000). 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 \$969,000 (Dec 2020: increased loss after tax by \$1,138,000). This analysis assumes that all other variables remain constant.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### *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 short or long term borrowings. The Group constantly analyses its exposure to interest rates, with consideration given to potential renewal of the terms of existing deposits. Fixed rate instruments are term deposits held with bank and financial institution counterparties and are available at call, therefore the fair value approximates the carrying amount.

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

<i>in thousands of AUD</i>	Carrying amount	
	31 Dec 2021	31 Dec 2020
<i>Fixed rate instruments</i>		
Cash and cash equivalents with fixed interest	14,214	17,713
Total fixed interest bearing financial assets	14,214	17,713

<i>in thousands of AUD</i>	Carrying amount	
	31 Dec 2021	31 Dec 2020
<i>Variable rate instruments</i>		
Cash and cash equivalents with variable interest	9,509	3,715
Total variable interest bearing financial assets	9,509	3,715

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss after tax by \$95,090 (2020: \$37,150). This analysis assumes that all other variables remain constant.

### **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 farm-down / sell assets. Buru Energy's focus has been to maintain sufficient funds to fund exploration and development activities.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 25. Changes in significant accounting policies

The Group has adopted all accounting standards and interpretations that had a mandatory application for this reporting period which did not have material impact.

### 26. Standards issued but not yet effective

No new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022.

### 27. Subsequent Events

Impairment recorded subsequent to the end of the reporting period.

The Ungani 8 well was spudded on 18 December. During January, the well was drilled to a total measured depth of 2,605 metres into the Ungani Dolomite at a hole angle of some 76 degrees, substantially as planned. As the drill string was being retrieved prior to running the 9 $\frac{5}{8}$  inch casing it became stuck in the upper part of the Laurel Shale. Despite extensive efforts to recover the drill string it was unable to be freed. It was subsequently backed off at a depth of 2,206 metres measured depth and the remaining drill string was retrieved. Subsequent to analysis of the options for the forward program for the well it was agreed that ROC would undertake a sidetrack to complete the well as a sole risk operation. The Ungani 8 sidetrack was drilled to a measured depth of 2,473 metres in the Ungani Shale with a further incident of stuck pipe and the well was suspended. All costs incurred undertaking the sidetrack were borne by ROC.

A non-cash impairment of \$8,031,000 was recorded after the end of the reporting period being Buru's share of costs associated with the Ungani 8 well incurred and capitalised as Oil and Gas Assets, including \$4,219,000 that had been incurred and capitalised as of 31 December 2021.

No other significant events have occurred subsequent to balance date that in the opinion of the directors has significantly affected, or may significantly affect in future financial years:

- The Group's operations; or
- The results of those operations; or
- The Group's state of affairs.

### 28. Auditors' Remuneration

	31 Dec 2021	31 Dec 2020
Audit services		
KPMG Australia: Audit and review of financial reports	83,000	80,000
KPMG Australia: Audit of Joint Venture reports	3,267	3,267
KPMG Australia: Audit of Traditional Owner Royalty Statements	2,500	5,000

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

# DIRECTORS' DECLARATION

- 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 25 to 56 and the Remuneration report in the Directors' report, set out on pages 19 to 23, 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 2021 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 2021.
- 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:



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**Mr Eric Streitberg**  
**Executive Chairman**

Perth  
18 March 2022



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**Mr Robert Willes**  
**Non-executive Director**

Perth  
18 March 2022

# INDEPENDENT AUDITOR'S REPORT



## 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 2021 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 2021;
- Consolidated Statement of comprehensive income or loss, 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; and
- 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 these requirements.

#### 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.

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## Exploration and evaluation expenditure (\$9,501k)

Refer to Note 7 'Exploration and Evaluation expenditure'

### The key audit matter

Exploration and evaluation expenditure capitalised (E&E) is a key audit matter due to:

- The significance of the activity to the Group's business and the balance.
- The greater level of audit effort to evaluate the Group's application of the requirements of the industry specific accounting standard AASB 6 *Exploration for and Evaluation of Mineral Resources*, in particular the conditions allowing capitalisation of relevant expenditure and presence of impairment indicators. The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of E&E, therefore given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group's determination that no such indicators existed.

The Group applies the "successful efforts" method which requires all E&E to be expensed in the period it is incurred, except the costs of drilling successful wells, which are capitalised as an asset.

In assessing the conditions allowing capitalisation of relevant expenditure, we focused on:

- The determination of the areas of interest (areas).
- Documentation available regarding rights to tenure, via licensing, and compliance with relevant conditions, to maintain current rights to an area of interest and the Group's intention and capacity to continue the relevant E&E activities.
- The Group's determination of whether the E&E are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale.
- The presence of hydrocarbons to meet the "successful efforts" criteria per the Group's accounting policy.

In assessing the presence of impairment indicators, we focused on those that may draw into question the commercial continuation of E&E activities for areas of interest where significant capitalised E&E exists. In addition to the assessments above, we paid particular attention to results from latest activities regarding the existence or otherwise of economically recoverable reserves/commercially viable quantity of reserve and resources.

### How the matter was addressed in our audit

Our audit procedures included:

- Evaluating the Group's accounting policy to recognise exploration and evaluation assets using the criteria in the accounting standard.
- We assessed the Group's determination of its areas of interest for consistency with the definition in the accounting standard. This involved evaluating the licenses in which the Group holds an interest and the exploration programmes planned for those for consistency with documentation such as joint venture agreements and results of the internal experts.
- For each area of interest, we assessed the Group's current rights to tenure by corroborating the ownership of the relevant license to government registries and evaluating agreements in place with other parties. We also tested for compliance with conditions, such as minimum expenditure requirements, on a sample of licenses.
- We tested the Group's additions to E&E for the year by evaluating a statistical sample of recorded expenditure incurred during the identification of the presence of hydrocarbons for consistency with underlying records and the capitalisation requirements of the Group's "successful efforts" accounting policy.
- We evaluated Group documents, such as minutes of Board meetings, for consistency with their stated intentions for continuing E&E in certain areas. We corroborated this through interviews with key operational and finance personnel.
- We obtained project and corporate budgets identifying areas with existing funding and those requiring alternate funding sources. We compared this for consistency with areas with E&E, for evidence of the ability to fund continued activities. We identified those areas relying on alternate funding sources and evaluated the capacity of the Group to secure such funding.
- We compared the results from the latest exploration activities including the existence of hydrocarbons for consistency to the treatment of E&E in accordance with the Group's successful efforts accounting policy.

# INDEPENDENT AUDITOR'S REPORT



## 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; and
- Assessing the Group'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:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 2021, 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 the Directors' report for the year ended 31 December 2021.

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  
18 March 2022

## ADDITIONAL ASX INFORMATION

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

The distribution of ordinary shares ranked according to size as at 28 February 2022 was as follows:

Category	Ordinary Shares	%	No of Holders	%
100,001 and Over	444,838,895	82.62	730	10.77
10,001 to 100,000	80,114,306	14.88	2,237	32.99
5,001 to 10,000	7,558,813	1.40	988	14.57
1,001 to 5,000	5,549,067	1.03	1,871	27.59
1 to 1,000	381,910	0.07	955	14.08
<b>Total</b>	<b>538,442,991</b>	<b>100.00</b>	<b>6,781</b>	<b>100.00</b>
Unmarketable Parcels	967,144	0.18	1,358	20.03

The 20 largest ordinary shareholders of the ordinary shares as at 28 February 2022 were as follows:

Rank	Name	Number of ordinary shares	%
1	BIRKDALE ENTERPRISES PTY LTD	41,394,936	7.69
2	CHEMCO PTY LTD	19,666,666	3.65
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,139,914	3.37
4	COOGEE RESOURCES PTY LTD	16,000,000	2.97
5	AUSTRALIA HOLDINGS PTY LTD	13,000,000	2.41
6	WANDJI INVESTMENTS LIMITED	9,572,400	1.78
7	MR ERIC CHARLES STREITBERG	8,398,003	1.56
8	BNP PARIBAS NOMINEES PTY LTD	6,899,911	1.28
9	CITICORP NOMINEES PTY LIMITED	6,421,458	1.19
10	RODAL INVESTMENTS PTY LTD	6,000,000	1.11
11	MAJOR DEVELOPMENT GROUP PTY LTD	5,851,228	1.09
12	MR ILIA LAKAEV & MRS GLORIA LAKAEV	4,900,000	0.91
13	AZOLIA PTY LTD	4,500,000	0.84
13	TAPERSLEE PTY LTD	4,500,000	0.84
14	FLEXIPLAN MANAGEMENT PTY LTD	4,255,329	0.79
15	AMK INVESTMENTS (WA) PTY LTD	3,883,183	0.72
16	SINO PORTFOLIO INTERNATIONAL LIMITED	3,820,588	0.71
17	PARAMON HOLDINGS PTY LTD	3,480,000	0.65
17	TWINSOUTH HOLDINGS PTY LTD	3,480,000	0.65
18	JH NOMINEES AUSTRALIA PTY LTD	3,400,000	0.63
19	NEWECONOMY COM AU NOMINEES PTY LIMITED	3,388,033	0.63
20	CHARRINGTON PTY LTD	3,184,000	0.59
	<b>Total twenty largest shareholders</b>	<b>194,135,649</b>	<b>36.06</b>
	Balance of register	344,307,342	63.94
	<b>Total register</b>	<b>538,442,991</b>	<b>100.00</b>

## ADDITIONAL ASX INFORMATION

The following interests were registered on the Company's register of Substantial Shareholders as at 28 February 2022:

Shareholder	Number of ordinary shares	%
Birkdale Enterprises Pty Ltd	41,394,936	7.69
Chemco Pty Ltd	35,666,666	6.62

### 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 28 February 2022 were as follows:

PERMIT	TYPE	OWNERSHIP	BURU INTEREST	OPERATOR
L6 <sup>2</sup>	Production licence	100.00%	Buru Energy Ltd	Buru Energy Ltd
L8	Production licence	100.00%	Buru Energy Ltd	Buru Energy Ltd
L17	Production licence	100.00%	Buru Energy Ltd	Buru Energy Ltd
L20	Production licence	50.00%	Buru Energy Ltd	Buru Energy Ltd
L21	Production licence	50.00%	Buru Energy Ltd	Buru Energy Ltd
EP 129 <sup>2</sup>	Exploration permit	50.00%	Buru Energy Ltd	Buru Energy Ltd
EP 391 <sup>1</sup>	Exploration permit	50.00%	Buru Energy Ltd	Buru Energy Ltd
EP 428	Exploration permit	50.00%	Buru Energy Ltd	Buru Energy Ltd
EP 431	Exploration permit	50.00%	Buru Energy Ltd	Buru Energy Ltd
EP 436 <sup>1</sup>	Exploration permit	50.00%	Buru Energy Ltd	Buru Energy Ltd
EP 457	Exploration permit	40.00%	Buru Fitzroy Pty Ltd	Buru Fitzroy Pty Ltd
EP 458	Exploration permit	40.00%	Buru Fitzroy Pty Ltd	Buru Fitzroy Pty Ltd
E04/2674	Exploration permit	50.00%	Battmin Pty Ltd	Sipa Resources Pty Ltd
E04/2684	Exploration permit	50.00%	Battmin Pty Ltd	Sipa Resources Pty Ltd
L20-1	Exploration permit	50.00%	Buru Energy Ltd	Buru Energy Ltd

<sup>1</sup> Origin Energy's interests in EP 391 and EP 436 exclude the Yulleroo Gasfield Area

<sup>2</sup> Buru's interest in L6 and EP 129 exclude the Backreef Area

# CORPORATE DIRECTORY

## Directors

Mr Eric Streitberg	Executive Chairman
Ms Joanne Kendrick	Independent Non-Executive Director
Mr Malcolm King	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 Street, 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 Securities Exchange
Address:	Exchange Plaza, 2 The Esplanade, Perth WA 6000

## ASX Code: BRU

## Current Issued Capital

Fully paid ordinary shares	538,442,991
Unlisted employee share options	7,200,000

## Trading History

Share price range during 2021	\$0.11 to \$0.23
Liquidity (annual turnover as % of average issued capital)	74.76%
Average number of shares traded per day	~1.5 million

