



Buru Energy Limited
ABN 71 130 651 437

Interim Financial Report
For the six months ended 30 June 2017

BURU ENERGY LIMITED
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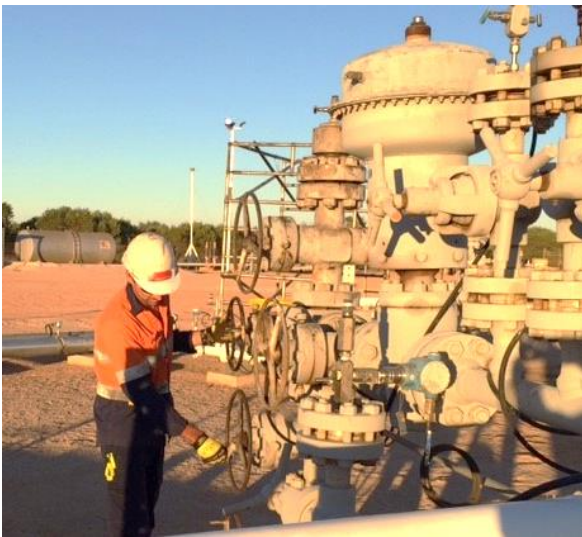
**BURU ENERGY LIMITED
REVIEW OF OPERATIONS
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

Ungani Oilfield

Production and Development

In March 2017, Buru Energy Limited (Buru Energy or the Company), with its then 50-50 Joint Venture partner Mitsubishi Corporation, agreed to restart production at the Ungani Oilfield which had been shut-in since January 2016 as a consequence of the then low oil price. A key part of the restart program was the modifications to the export system to reduce costs and improve efficiency including access to the larger 80,000 barrel capacity export tank in Wyndham (Tank 10). Previous production was through the 30,000 barrel capacity tank (Tank 9) which restricted ship size and availability, and consequently imposed higher transport costs.

The field restart program was completed on time and under budget with no incidents, and on 16 June 2017, production recommenced.



Opening up the Ungani 1 well



First oil to surface at Ungani restart

Initial production from the field included a series of rate and interference tests to quantify reservoir properties prior to full scale production, and to provide base line production data prior to the planned installation of downhole pumps.



Wyndham Tank 10

Crude transport from the Ungani Oilfield to Wyndham Port is being undertaken by Fuel Trans Australia (FTA). FTA were awarded the contract after a rigorous selection process which included analysis and review by a third party independent expert on road transport risk management. The trucking system includes state of the art safety systems to ensure the system has an ALARP risk profile. The systems include minimal night driving, geofencing of potential risk sections, in-cab monitoring, external monitoring of

**BURU ENERGY LIMITED
REVIEW OF OPERATIONS
FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONT'D)**

driving parameters and truck locations, and using all local drivers. The system utilises quads which reduces the number of truck movements.



FTA quad on track to Wyndham Port

As part of the asset swap transaction with Mitsubishi (see further details on page 6) the marketing rights for Ungani crude oil held by Mitsubishi were terminated.

After a selection process from a number of proposals, an offtake agreement has now been reached with Trafigura Pte Ltd (Singapore) for the sale of the crude oil FOB at Wyndham for the next 12 months, with the first lifting taking place in early September 2017.

Further development of the field is being undertaken in phases with the recent startup of production being the completion of Phase 1. Phase 2 will involve the installation of downhole pumps in the Ungani 1 and 2 wells and their associated surface control and power systems, and an upgrade to the fluid handling system, including additional tankage. This phase is now underway with the long lead items for the artificial lift system ordered.

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REVIEW OF OPERATIONS
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Ungani Oilfield Resources

As at 30 June 2017, there had been no change to the Gaffney Cline and Associates (GCA) assessment of the Contingent Resources of the Ungani Oilfield undertaken on 30 April 2016 as shown below, however, subsequent to the transaction with Mitsubishi, Buru's interest is now 100% of these estimates. The resources were classified as Contingent Resources given the field was shut-in at the time of the evaluation.

Ungani Oilfield Contingent Resources (100%WI, MMstb)			
	P90	P50	P10
Original in place	8.99	16.13	32.30
Estimated Ultimate Recovery (EUR)	2.70	7.26	19.41
Production to 26 January 2016	0.62	0.62	0.62
	1C	2C	3C
Contingent Resources	2.08	6.65	18.80

- i. Evaluation date 30 April 2016.*
- ii. Probabilistic method used and the estimates are the statistical aggregates of resources.*
- iii. Qualified petroleum reserves and resources evaluator requirements are detailed in Buru Energy's ASX release of 16 May 2016 and Buru Energy is not aware of any new information or data that materially affects the information included in that ASX release and all material assumptions and technical parameters underpinning the estimates in that release continue to apply and have not materially changed.*
- iv. Application of any risk factor to contingent resources quantities does not equate contingent resources with reserves.*
- v. There is no certainty that it will be commercially viable to produce any portion of the resources evaluated.*

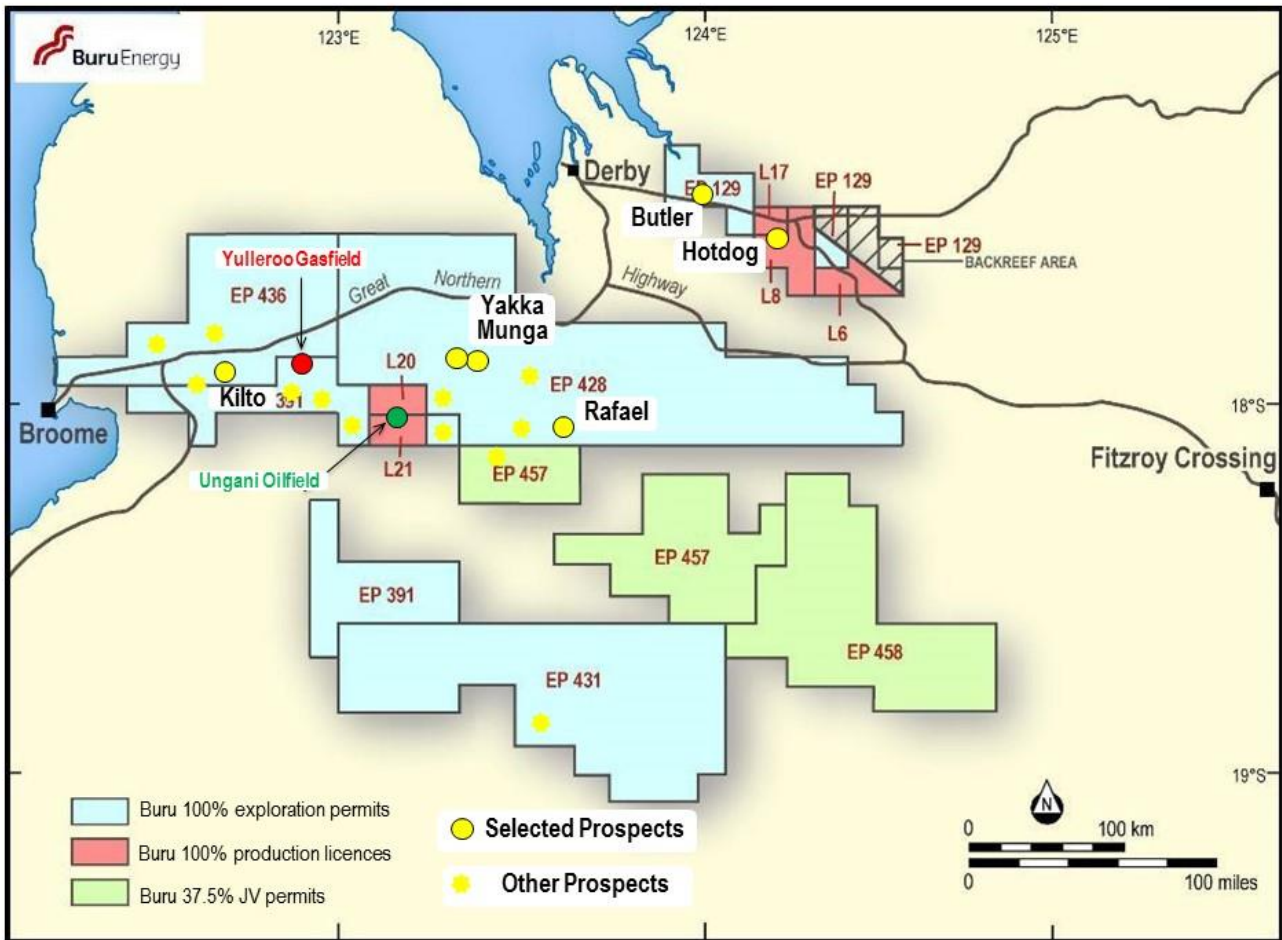
Blina and Sundown Oilfields

The Blina and Sundown Oilfields remained shut-in during the period with maintenance, well inspections and rehabilitation continuing.

Exploration

The Company's exploration portfolio has been enhanced following the Mitsubishi asset swap arrangement which resulted in Buru assuming 100% of the Ungani trend permits and associated prospects. Mapping of these prospects is now essentially complete and the Company is preparing a portfolio of drilling opportunities for discussions with prospective farmin parties for the planned 2018 drilling program. The prospects include a range of play types from the proven Ungani Dolomite and Reeves discovery to new high potential concepts for both oil and gas. Further details of these prospects are set out in the latest Buru Energy corporate presentation available from ASX or the Company's website.

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REVIEW OF OPERATIONS
FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONT'D)**



Map of selected exploration prospects

Yulleroo Gasfield review

Subsequent to the transaction with Mitsubishi, the Company has title to 100% of the Yulleroo Gasfield and the gas resources in the other areas of the basin outside EP 371. The Company has commissioned RISC Advisory to provide an update of their 2011 review of the resources of the Yulleroo Gasfield. A review of possible ways forward for the appraisal of this resource is being undertaken noting that the Western Australian Government has adopted a policy which places a moratorium on hydraulic fracturing whilst it undertakes an independent scientific inquiry into this process. No details of the timing or scope of the inquiry have been made available by the Government at this time.

Corporate

Asset Swap Agreement

On 25 May 2017 Buru Energy entered into a transaction with its joint venture partners Diamond Resources (Fitzroy) Pty Ltd (DRF) and Diamond Resources (Canning) Pty Ltd (DRC), which are both wholly owned subsidiaries of Mitsubishi Corporation, on its exploration and production assets in the Canning Basin in the northwest of Western Australia.

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REVIEW OF OPERATIONS
FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONT'D)**

The agreement had the following effect:

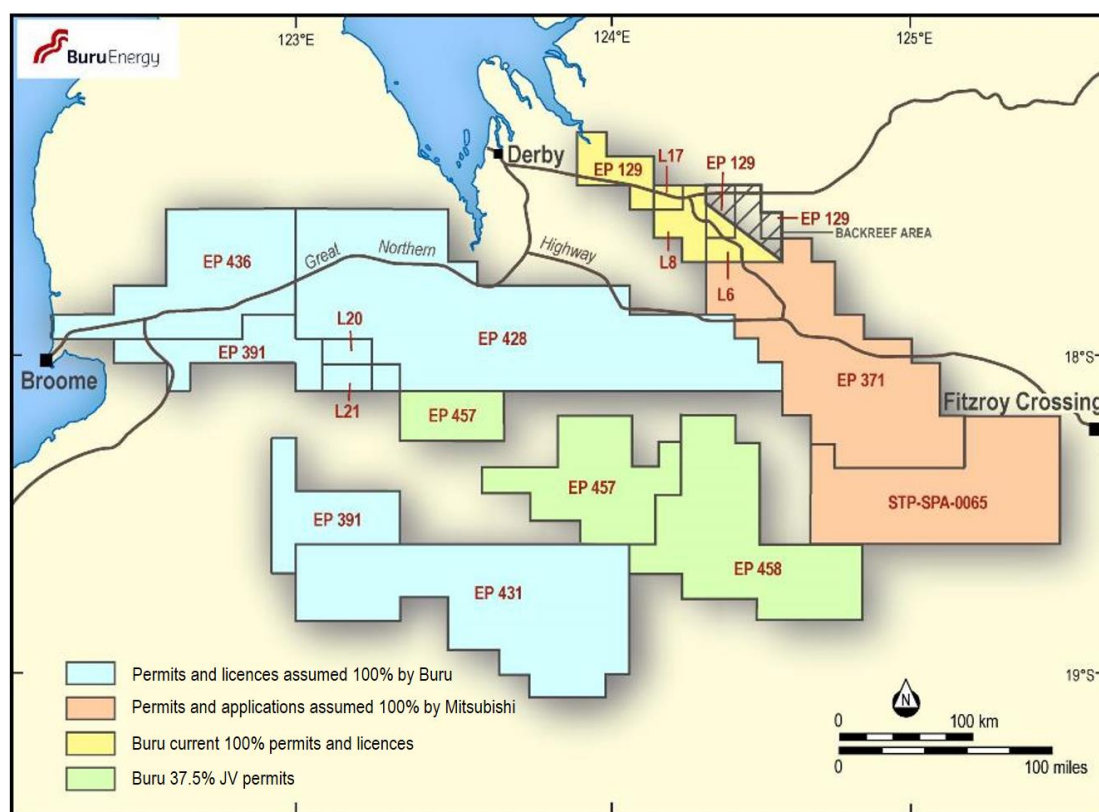
- DRF agreed to transfer to Buru Energy its 50% interest in the Ungani Oilfield Production Licences (L 20 and L 21) and its 50% interest in exploration permits EP 391, EP 431 and EP 436.
- DRC agreed to transfer to Buru Energy its 50% interest in exploration permit EP 428.
- Buru Energy agreed to transfer to DRF, its 50% interest in EP 371 and its 50% interest in the application for special prospecting authority STP-SPA-0065 and STP-AAA-0031.
- DRF and DRC also agreed that Buru Energy will provide services in relation to EP 371, including community engagement and liaison.

Whilst the transfer of the title is subject to Department of Mines, Industry Regulation and Safety's approval, which is in progress, beneficial ownership (including the passing of risks and rewards of ownership) has occurred and the transaction is reflected in the half-year accounts.

As part of the transaction the parties agreed to terminate the Ungani Development Funding Agreement (UDFA). On termination of the UDFA, DRF paid its share of the costs for restarting the Ungani Oilfield (\$1.5 million) as part of the remaining first tranche of funding under the UDFA. The asset swap is summarised below:

Title	Holder before transaction	Type	Holder after transaction
EP 371	Buru and DRC each 50%	Exploration	DRC and DRF each 50%
EP 391	Buru and DRF each 50%	Exploration	Buru 100%
EP 428	Buru and DRC each 50%	Exploration	Buru 100%
EP 431	Buru and DRF each 50%	Exploration	Buru 100%
EP 436	Buru and DRF each 50%	Exploration	Buru 100%
L 20	Buru and DRF each 50%	Production	Buru 100%
L 21	Buru and DRF each 50%	Production	Buru 100%
SPA0065	Buru and DRC each 50%	Application	DRC and DRF each 50% (of any permit grant)

BURU ENERGY LIMITED
REVIEW OF OPERATIONS
FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONT'D)



Map of transaction permits

Balance sheet restructured with variation of Alcoa repayments

As at 30 June 2017, Buru Energy's remaining \$12.5 million loan repayment to Alcoa of Australia Limited (Alcoa) was due in full on 30 June 2018. On 5 July 2017 Buru Energy announced it had entered into an agreement with Alcoa to vary the repayment terms under which payments will be made in the tranches set out below:

- \$5.0 million was paid on 14 July 2017
- \$2.5 million to be paid on or before 31 December 2018
- \$2.5 million to be paid on or before 31 December 2019
- \$2.5 million to be paid on or before 31 December 2020

The debt continues to be unsecured and will now be subject to an agreed market based interest rate of 5% on the outstanding balances commencing 1 January 2018, and payable annually in arrears. The \$2.5 million annual tranches are further subject to an accelerated capital repayment mechanism based on Buru Energy's gross revenue from Ungani oil sales exceeding an agreed base level. This aligns the amortisation of the remaining Alcoa loan to the future oil revenue profile of Buru Energy's 100% owned Ungani Field, and provides more funding flexibility for Buru Energy to repay this debt from surplus cash flow.

Rights Issue to Fund Accelerated Development of Ungani Oilfield

On 1 August 2017, Buru Energy announced a non-renounceable entitlement offer (Rights Issue) to accelerate the development of the Ungani Oilfield. The Rights Issue was on the basis of one new share for every five shares held by eligible shareholders, at an issue price of \$0.15 per share to raise up to approximately \$10.2 million before costs.

Following closure of the Rights Issue, the Company announced that applications of approximately \$14.5 million for entitlement and shortfall shares were received from eligible shareholders, exceeding the \$10.2 million full subscription amount under the Rights Issue.

BURU ENERGY LIMITED
REVIEW OF OPERATIONS
FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONT'D)

The Board carefully considered the options available to the Company in dealing with the oversubscription amount of approximately \$4.3 million. Rather than undertaking a wholesale pro-rata scale back in respect of shareholders who have applied for shortfall shares to reduce the total subscription amount to \$10.2 million, the Board has resolved to make an additional placement of shares in respect of approximately \$3.6 million of the excess funds. This top-up share placement has been made only to existing Buru shareholders who submitted shortfall applications and who qualified as sophisticated and professional investors for the purposes of section 708 of the Corporations Act 2001 (Cth) ("Top-up Placement").

The approximately 24 million Top-up Placement shares are being issued at the same price and terms as shares issued under the Rights Issue. The Top-up Placement is being undertaken pursuant to the Company's ASX Listing Rule 7.1 placement capacity.

**BURU ENERGY LIMITED
DIRECTORS' REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

The Directors present their report together with the condensed consolidated interim financial statements of the Group comprising Buru Energy Limited (Buru Energy or the Company) and its subsidiaries for the six month period ended 30 June 2017 and the auditor's independent review report thereon.

Directors

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

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

The Company Secretary is Mr Shane McDermott.

Principal Activities

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

Review of Operations

The review of operations during the six month period ended 30 June 2017 is set out on pages 3 to 9 and forms part of this Directors' Report.

After Balance Date Events

On 5 July 2017, Buru Energy entered into an agreement with Alcoa to vary the repayment terms on the \$12.5 million loan to Alcoa of Australia Limited due on 30 June 2018, with the varied payments will be made in the tranches set out below:

- \$5.0 million was paid on 14 July 2017
- \$2.5 million to be paid on or before 31 December 2018
- \$2.5 million to be paid on or before 31 December 2019
- \$2.5 million to be paid on or before 31 December 2020

The debt continues to be unsecured and will now be subject to an agreed market based interest rate of 5% on the outstanding balances commencing 1 January 2018, and payable annually in arrears. The \$2.5 million annual tranches are further subject to an accelerated capital repayment mechanism based on Buru Energy's gross revenue from Ungani oil sales exceeding an agreed base level.

On 1 August 2017, Buru Energy announced a non-renounceable entitlement offer (Rights Issue) to accelerate the development of the Ungani Oilfield. The Rights Issue was on the basis of one new share for every five shares held by eligible shareholders, at an issue price of \$0.15 per share to raise up to approximately \$10.2 million before costs.

Following closure of the Rights Issue, the Company announced that applications of approximately \$14.5 million for entitlement and shortfall shares were received from eligible shareholders, exceeding the \$10.2 million full subscription amount under the Rights Issue. The Board has resolved to make an additional placement of shares in respect of approximately \$3.6 million of the excess funds to existing Buru shareholders who submitted shortfall applications and who qualified as sophisticated and professional investors for the purposes of section 708 of the Corporations Act 2001. The approximately 24 million additional placement shares are being issued at the same price and terms as shares issued under the Rights Issue. The additional placement is being undertaken pursuant to the Company's ASX Listing Rule 7.1 placement capacity.

Refer to the Review of Operations and Note 16 of the interim financial statements for further information.

Dividends

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

**BURU ENERGY LIMITED
DIRECTORS' REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONT'D)**

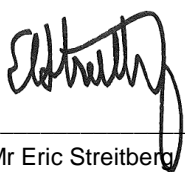
Auditor's Independence Declaration

The lead auditor's independence declaration for the period is set out on page 12 and forms part of this Directors' Report.

Rounding Off

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

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



Mr Eric Streitberg
Executive Chairman
Perth
8 September 2017



Mr Robert Willes
Non-Executive Director
Perth
8 September 2017



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

To the Directors of Buru Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Buru Energy Limited for the half-year ended 30 June 2017 there have been:

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

KPMG

KPMG

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Graham Hogg
Partner

Perth

8 September 2017

BURU ENERGY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

<i>in thousands of AUD</i>	Note	30 Jun 2017	31 Dec 2016
Current Assets			
Cash and cash equivalents		19,206	21,052
Trade and other receivables		499	912
Inventories		2,525	2,372
Total Current Assets		22,230	24,336
Non-Current Assets			
Property, plant and equipment	7	4,791	5,254
Exploration and evaluation expenditure	8	6,363	21,962
Oil and gas assets	9	41,662	21,550
Investments		52	51
Total Non-Current Assets		52,868	48,817
Total Assets		75,098	73,153
Current Liabilities			
Trade and other payables		2,449	630
Provisions		1,303	1,256
Borrowings	10	11,469	-
Total Current Liabilities		15,221	1,886
Non-Current Liabilities			
Provisions		4,977	4,062
Borrowings	10	-	10,989
Total Non-Current Liabilities		4,977	15,051
Total Liabilities		20,198	16,937
Net Assets		54,900	56,216
Equity			
Contributed equity	12	258,211	258,211
Reserves		1,213	1,213
Accumulated losses		(204,524)	(203,208)
Total equity		54,900	56,216

The notes on pages 17 to 24 are an integral part of these condensed consolidated financial statements.

BURU ENERGY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2017

<i>in thousands of AUD</i>	Note	30 Jun 2017	30 Jun 2016
Revenue		-	219
Cost of sales		-	(1,092)
Amortisation of oil and gas assets	9	(1,403)	(1,394)
Gross profit / (loss)		(1,403)	(2,267)
Other income		-	80
Gain on acquisition of oil and gas assets	15	4,331	-
Exploration and evaluation expenditure		(1,397)	(1,508)
Impairment of financial asset		-	(224)
Corporate and administrative expenditure	11	(2,599)	(2,961)
Share based payments expenses		-	(23)
Results from operating activities		(1,068)	(6,903)
Net finance income / (expense)		(248)	(590)
Loss from continuing operations before income tax		(1,316)	(7,493)
Income tax expense		-	-
Loss from continuing operations for the period		(1,316)	(7,493)
Discontinued operations (Yakka Munga Pastoral Lease)			
Profit from discontinued operations, net of tax		-	1,406
Loss for the period		(1,316)	(6,087)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Available-for-sale financial assets reclassified to profit or loss		-	171
Other comprehensive income / (loss) for the period, net of income tax		-	171
Total comprehensive loss for the period		(1,316)	(5,916)
Basic loss per share (cents)		(0.39)	(1.80)
Diluted loss per share (cents)		(0.39)	(1.80)
Basic loss per share from continuing operations (cents)		(0.39)	(2.21)
Diluted loss per share from continuing operations (cents)		(0.39)	(2.21)

The notes on pages 17 to 24 are an integral part of these condensed consolidated financial statements

BURU ENERGY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017

in thousands of AUD

	Share capital	Share based payment reserve	Financial asset revaluation reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$
Balance as at 1 January 2016	258,211	2,797	(171)	(170,810)	90,027
Comprehensive loss for the period					
Loss for the period	-	-	-	(6,087)	(6,087)
Net change in fair value of available-for-sale financial assets	-	-	171	-	171
Total comprehensive loss for the period	-	-	171	(6,087)	(5,916)
Transactions with owners recorded directly in equity					
Share based payment transactions	-	23	-	-	23
Share options exercised/forfeited	-	(880)	-	880	-
Total transactions with owners recorded directly in equity	-	(857)	-	880	23
Balance as at 30 June 2016	258,211	1,940	-	(176,017)	84,134
	Share capital	Share based payment reserve	Financial asset revaluation reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$
Balance as at 1 January 2017	258,211	1,213	-	(203,208)	56,216
Comprehensive loss for the period					
Loss for the period	-	-	-	(1,316)	(1,316)
Available-for-sale financial assets reclassified to profit or loss	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(1,316)	(1,316)
Transactions with owners recorded directly in equity					
Share based payment transactions	-	-	-	-	-
Share options exercised/forfeited	-	-	-	-	-
Total transactions with owners recorded directly in equity	-	-	-	-	-
Balance as at 30 June 2017	258,211	1,213	-	(204,524)	54,900

The notes on pages 17 to 24 are an integral part of these condensed consolidated financial statements.

BURU ENERGY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

<i>In thousands of AUD</i>	30 Jun 2017	30 Jun 2016
Cash flows from operating activities		
Cash receipts from sales of crude	-	744
Net cash receipts from other income	-	80
Payments to suppliers and employees	(1,992)	(3,679)
Payments for exploration and evaluation	(1,043)	(1,962)
Net cash outflow from operating activities	(3,035)	(4,817)
Cash flows from investing activities		
Interest received	238	443
Payments for purchase of plant and equipment	(71)	-
Payments for exploration and evaluation	(142)	(5,135)
Payments for oil and gas development	(336)	(432)
Joint Venture partner's final contribution towards Ungani Development	1,500	-
Transfer to long-term cash held in escrow	-	-
Net cash inflow/(outflow) from investing activities	1,189	(5,124)
Cash flows from financing activities		
Net cash from financing activities	-	-
Net decrease in cash and cash equivalents	(1,846)	(9,941)
Cash and cash equivalents at beginning of the period	21,052	33,897
Effect of exchange rate changes on cash and cash equivalents	-	(30)
Cash and cash equivalents at the end of the period	19,206	23,926

The notes on pages 17 to 24 are an integral part of these condensed consolidated financial statements

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

1 Reporting Entity

Buru Energy Limited (Buru Energy or the Company) is a for profit company domiciled in Australia. The address of the Company's registered office is Level 2, 88 William Street, Perth, Western Australia. The condensed consolidated interim financial statements of the Company as at, and for the six months ended, 30 June 2017 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in jointly controlled entities. The Group is primarily involved in oil and gas exploration and production in the Canning Basin in the Kimberley region of northwest Western Australia.

2 Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements are general purpose financial statements which have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2016. The consolidated financial statements of the Group as at, and for the year ended, 31 December 2016 are available upon request from the Company's registered office or at www.buruenergy.com. The condensed consolidated interim financial statements comply with IAS 34 *Interim Financial Reporting*. These condensed consolidated interim financial statements were approved by the Board of Directors on 30 August 2017.

3 Significant Accounting Policies

All accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at, and for the year ended, 31 December 2016.

4 Estimates

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. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

5 Segment Information

The Group has only one reportable geographical segment being the Canning Basin in northwest Western Australia. The reportable operating segments are based on the Group's strategic business units: oil, gas and exploration. For each of the strategic business units, the Group's Executive Chairman, Head of Finance and other executives review internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable operating segments:

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

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

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONT'D)

Profit and loss	Oil		Gas		Exploration		Pastoral Lease (Discontinued)		Corporate*		Total	
	Jun 17	Jun 16	Jun 17	Jun 16	Jun 17	Jun 16	Jun 17	Jun 16	Jun 17	Jun 16	Jun 17	Jun 16
<i>in thousands of AUD</i>												
External revenues	-	219	-	-	-	-	-	-	-	-	-	219
Operating costs	-	(1,092)	-	-	-	-	-	-	-	-	-	(1,092)
Amortisation of oil and gas assets	(1,403)	(1,394)	-	-	-	-	-	-	-	-	(1,403)	(1,394)
Gross Profit	(1,403)	(2,267)	-	-	-	-	-	-	-	-	(1,403)	(2,267)
Other income	-	-	-	-	-	-	-	-	-	80	-	80
Exploration and evaluation expenditure	-	-	-	-	(1,397)	(1,508)	-	-	-	-	(1,397)	(1,508)
Gain on acquisition oil and gas assets	4,331	-	-	-	-	-	-	-	-	-	4,331	-
Impairment of financial asset	-	-	-	-	-	-	-	-	-	(224)	-	(224)
Increase in FV of agricultural assets	-	-	-	-	-	-	-	1,605	-	-	-	1,605
Corporate and administrative expenditure, including depreciation	-	-	-	-	-	-	-	-	(2,599)	(2,961)	(2,599)	(2,961)
Other expenditure	-	-	-	-	-	-	-	(199)	-	-	-	(199)
Share based payment expenses	-	-	-	-	-	-	-	-	-	(23)	-	(23)
Financial income	-	-	-	-	-	-	-	-	(248)	(590)	(248)	(590)
Reportable segment profit / (loss) before tax	2,928	(2,267)	-	-	(1,397)	(1,508)	-	1,406	(2,847)	(3,718)	(1,316)	(6,087)

* Corporate represents reconciliation of reportable segments to IFRS measures

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONT'D)

Total Assets	Oil		Gas		Exploration		Corporate*		Total	
	Jun 17	Dec 16	Jun 17	Dec 16	Jun 17	Dec 16	Jun 17	Dec 16	Jun 17	Dec 16
<i>in thousands of AUD</i>										
Current assets	153	-	-	-	2,372	2,372	19,705	21,964	22,230	24,336
Property, plant and equipment	-	-	-	-	-	-	4,791	5,254	4,791	5,254
Exploration and evaluation assets	-	-	6,363	21,962	-	-	-	-	6,363	21,962
Oil and gas assets-development	41,662	21,550	-	-	-	-	-	-	41,662	21,550
Investments	-	-	-	-	-	-	52	51	52	51
Total Assets	41,815	21,550	6,363	21,962	2,372	2,372	24,548	27,269	75,098	73,153
Capital Expenditure	1,117	209	-	-	468	863	71	106	1,656	1,178
Total Liabilities										
Current liabilities	1,301	-	-	-	1,980	1,489	11,940	397	15,221	1,886
Loans and borrowings	-	-	-	-	-	-	-	10,989	-	10,989
Provisions (Non-current)	1,038	519	-	-	3,740	3,387	199	156	4,977	4,062
Total Liabilities	2,339	519	-	-	5,720	4,876	12,139	11,542	20,198	16,937

* Corporate represents reconciliation of reportable segments to IFRS measures

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONT'D)

6 Financial Risk Management

Fair value vs carrying amounts

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

Credit risk of trade and other receivables

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and the Group does not require collateral in respect of trade and other receivables. The Group does not have an allowance for impairment on trade and other receivables. To date the Group has received full consideration for trade receivables in a timely manner and as such there is no reason to believe that this will not continue going forward. No other receivables are considered to have a material credit risk.

Financial instruments carried at fair value

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

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

The Group's available for sale financial assets are classed as Level 1 and the Group's borrowings are classed at Level 2. The Group has no other financial instruments measured at fair value.

7 Property, Plant and Equipment

During the six months ended 30 June 2017 the Group acquired property, plant and equipment assets with a cost of \$71,000 (31 December 2016: \$106,000).

8 Exploration and Evaluation Expenditure Capitalised

in thousands of AUD

	30 Jun 2017	31 Dec 2016
	\$	\$
Carrying amount at beginning of the period	21,962	48,240
Exploration expenditure capitalised	468	863
Disposal of exploration expenditure in Asset Swap (Note 15)	(16,067)	-
Exploration expenditure written off during the period	-	(21,327)
Research and development tax concession	-	(5,814)
Carrying amount at the end of the period	6,363	21,962

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

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONT'D)

9 Oil and Gas Assets

<i>in thousands of AUD</i>	30 Jun 2017	31 Dec 2016
Ungani Oilfield	\$	\$
Carrying amount at beginning of the period	21,550	24,129
Development expenditure capitalised	1,117	209
Oil and gas assets acquired in Asset Swap (Note 15)	20,398	-
Amortisation	(1,403)	(2,788)
Carrying amount at the end of the period	<u>41,662</u>	<u>21,550</u>

10 Borrowings

<i>in thousands of AUD</i>	30 Jun 2017	31 Dec 2016
Current	\$	\$
Borrowings at the start of the period	10,989	21,507
Repayment to Alcoa on 22 December 2016	-	(12,500)
Interest expense of unwinding of the fair value difference	480	1,982
Borrowings at the end of the period	<u>11,469</u>	<u>10,989</u>

The Group's exposure to currency and liquidity risk related to borrowings is disclosed in note 6. The fair value of the borrowings is estimated as the present value of all future cash payments discounted using the market rate of interest for a similar instrument with a similar credit rating. The unwinding of the difference between the fair value of the repayment obligation and cash consideration to be repaid is recognised in the income statement as interest expense. The borrowings were measured at the end of the period at amortised cost using the effective interest method. The amortised cost during the life of the loan is the sum of the initial fair value of the loan and the unwinding of the fair value difference.

As at 30 June 2017, the remaining \$12,500,000 loan repayment to Alcoa was due on 30 June 2018 and the borrowings were interest free and unsecured. The borrowings are fair valued at 30 June 2017 using an indicative interest rate of 8.25% giving a carrying value of \$11,469,000 (Dec 2016: \$10,989,000). The loan to Alcoa was varied in July 2017, refer to Note 16 for details.

11 Administrative Expenditure

<i>in thousands of AUD</i>	30 Jun 2017	30 Jun 2016
	\$	\$
Personnel and associated expenses	1,087	1,414
Office and other administration expenses	1,512	1,547
	<u>2,599</u>	<u>2,961</u>

12 Capital and Reserves

	Ordinary Shares	
	1 Jan – 30 Jun 2017	1 Jan – 31 Dec 2016
	No.	No.
Fully paid shares on issue at the beginning of the period	<u>339,997,078</u>	<u>339,997,078</u>
Fully paid shares on issue at the end of the period	<u>339,997,078</u>	<u>339,997,078</u>

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONT'D)

The Company does not have authorised capital or par value in respect of its issued shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. The share-based payments reserve represents the fair value of outstanding equity based compensation to the Group's employees. The financial asset revaluation reserve represents the revaluation of the Group's available for sale financial assets.

13 Capital and Other Commitments

in thousands of AUD

	30 Jun 2017	31 Dec 2016
Exploration expenditure commitments	\$	\$
<i>Contracted but not yet provided for and payable:</i>		
Within one year	19,187	8,200
One year later and no later than five years	263	3,450
	19,450	11,650

The Company's exploration permits set out minimum work commitments which include the undertaking of well stimulation and the drilling of wells which are likely to be targeted to tight gas accumulations. As a consequence of the Government's policy to place a moratorium on fracking, the Company will not be able to fulfil some or all of its current work commitments including current commitments to carry out a well stimulation on EP 436. The Company has therefore lodged applications with the Department of Mines, Industry Regulation and Safety to suspend, exempt or vary the Company's minimum work commitments on all its various permits. The Company is awaiting the Department of Mines, Industry Regulation and Safety's response to these applications.

14 Related Parties

Key management personnel compensation comprised:

in AUD

	1 Jan – 30 Jun 2017	1 Jan – 30 Jun 2016
Short-term employee benefits	782,424	842,706
Post-employment benefits	68,010	73,235
Termination benefits	-	165,000
Share-based payments	-	34,327
	850,434	1,115,268

There were no transactions between the Group involving related parties, other than those with key management personnel as described above.

15 Asset Swap

On 25 May 2017 Buru Energy entered into a transaction with its joint venture partners Diamond Resources (Fitzroy) Pty Ltd (DRF) and Diamond Resources (Canning) Pty Ltd (DRC), which are both wholly owned subsidiaries of Mitsubishi Corporation, on its exploration and production assets in the Canning Basin in the northwest of Western Australia.

The agreement had the following effect:

- DRF agreed to transfer to Buru Energy its 50% interest in the Ungani Oilfield Production Licences (L 20 and L 21) and its 50% interest in exploration permits EP 391, EP 431 and EP 436.
- DRC agreed to transfer to Buru Energy its 50% interest in exploration permit EP 428.
- Buru Energy agreed to transfer to DRF, its 50% interest in EP 371 and its 50% interest in the application for special prospecting authority STP-SPA-0065 and STP-AAA-0031.
- DRF and DRC also agreed that Buru Energy will provide services in relation to EP 371, including community engagement and liaison.

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONT'D)

Whilst the transfer of the title is subject to Department of Mines, Industry Regulation and Safety's approval, which is in progress, beneficial ownership (including the passing of risks and rewards of ownership) has occurred and the transaction is reflected in the half-year accounts.

As part of the transaction the parties agreed to terminate the Ungani Development Funding Agreement (UDFA). On termination of the UDFA, DRF paid its share of the costs for restarting the Ungani Oilfield (\$1.5 million) as part of the remaining first tranche of funding under the UDFA. The asset swap is summarised below:

Title	Holder before transaction	Type	Holder after transaction
EP 371	Buru and DRC each 50%	Exploration	DRC and DRF each 50%
SPA0065	Buru and DRC each 50%	Application	DRC and DRF each 50% (of any permit grant)
EP 391	Buru and DRF each 50%	Exploration	Buru 100%
EP 428	Buru and DRC each 50%	Exploration	Buru 100%
EP 431	Buru and DRF each 50%	Exploration	Buru 100%
EP 436	Buru and DRF each 50%	Exploration	Buru 100%
L 20	Buru and DRF each 50%	Production	Buru 100%
L 21	Buru and DRF each 50%	Production	Buru 100%

The Company's 50% interest before the Asset Swap in EP 371 had a carrying value of capitalised exploration expenditure of \$16,067,000. Given the 50% interest in EP 371 was consideration for the additional 50% interest acquired in L 20 and L 21 (the Ungani Oilfield) as well as the other exploration permits, this balance was transferred from exploration expenditure to oil and gas assets on the acquisition date of 24 May 2017. The oil and gas assets acquired were fair valued on acquisition (considering also the existing interest in Ungani) at \$20,398,000 resulting in a fair value gain on acquisition of the oil and gas assets of \$4,331,000.

16 Subsequent Events

On 5 July 2017 Buru Energy announced it had entered into an agreement with Alcoa to vary the repayment terms of the \$12,500,000 loan repayment due on 30 June 2018 under which payments will be made in the tranches set out below:

- \$5,000,000 million was paid on 14 July 2017
- \$2,500,000 million to be paid on or before 31 December 2018
- \$2,500,000 million to be paid on or before 31 December 2019
- \$2,500,000 million to be paid on or before 31 December 2020

The debt continues to be unsecured and will now be subject to an agreed market based interest rate of 5% on the outstanding balances commencing 1 January 2018, and payable annually in arrears. The \$2.5 million annual tranches are further subject to an accelerated capital repayment mechanism based on Buru Energy's gross revenue from Ungani oil sales exceeding an agreed base level.

On 1 August 2017, Buru Energy announced a non-renounceable entitlement offer (Rights Issue) to accelerate the development of the Ungani Oilfield. The Rights Issue was on the basis of one new share for every five shares held by eligible shareholders, at an issue price of \$0.15 per share to raise up to approximately \$10.2 million before costs. Following closure of the Rights Issue, the Company announced that applications of approximately \$14.5 million for entitlement and shortfall shares were received from eligible shareholders, exceeding the \$10.2 million full subscription amount under the Rights Issue. The Board has resolved to make an additional placement of shares in respect of approximately \$3.6 million of the excess funds to existing Buru shareholders who submitted shortfall applications and who qualified as sophisticated and professional investors for the purposes of section 708 of the Corporations Act 2001. The approximately 24 million additional

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONT'D)

placement shares are being issued at the same price and terms as shares issued under the Rights Issue. The additional placement is being undertaken pursuant to the Company's ASX Listing Rule 7.1 placement capacity.

BURU ENERGY LIMITED
DIRECTORS' DECLARATION

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

- (a) the financial statements and notes set out on pages 13 to 24, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the six month period ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001;

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

Signed in accordance with a resolution of the Directors:



Mr Eric Streitberg
Executive Chairman
Perth
8 September 2017



Mr Robert Willes
Non-Executive Director
Perth
8 September 2017



Independent Auditor's Review Report

To the shareholders of Buru Energy Limited

Report on the Interim Financial Report

Conclusion

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

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

- giving a true and fair view of the **Group's** financial position as at 30 June 2017 and of its performance for the six months ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- condensed consolidated statement of financial position as at 30 June 2017
- condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the six months ended on that date
- notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information
- the Directors' Declaration .

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

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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



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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Buru Energy Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

Graham Hogg
Partner

Perth

8 September 2017

Directors

Mr Eric Streitberg – Executive Chairman

Ms Eve Howell – Non-Executive

Mr Robert Willes – Non-Executive

Company Secretary

Mr Shane McDermott

Registered and Principal Office

Level 2

88 William Street

PERTH WA 6000

Telephone: +61 (08) 9215 1800

Facsimile: +61 (08) 9215 1899

Share Registry

Link Market Services Limited

Locked Bag A14

SYDNEY SOUTH NSW 1235

Telephone: +61 1800 810 859

Email: registrars@linkmarketservices.com.au

Website: www.linkmarketservices.com.au

Auditors

KPMG

235 St George's Terrace

PERTH WA 6000

Bankers

Commonwealth Bank of Australia

1230 Hay Street

WEST PERTH WA 6005

Stock Exchange

Australian Securities Exchange

Exchange Plaza

2 The Esplanade

PERTH WA 6000

ASX Code: BRU