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## **ASX ANNOUNCEMENT (ASX: BRU)      11 March 2011**

### **Half Year Report - 31 December 2010**

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Please find attached Buru Energy Limited's ("**Buru**" or "**Company**") Half Year Report for the period ending 31 December 2010.

This report and further information on the Company is available on the Buru website at: [www.buruenergy.com](http://www.buruenergy.com)

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Yours faithfully

A handwritten signature in black ink, appearing to read "Eric Streitberg", written over a printed name and title.

**ERIC STREITBERG**  
**Executive Director**



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

**Interim Financial Report**  
**For the period ended 31 December 2010**

**BURU ENERGY LIMITED**  
**TABLE OF CONTENTS**

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DIRECTORS' REPORT .....	3
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	8
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....	9
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	10
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS .....	12
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS .....	13
DIRECTORS' DECLARATION .....	17
INDEPENDENT REVIEW REPORT .....	18
AUDITOR' S INDEPENDENCE DECLARATION .....	20
CORPORATE DIRECTORY .....	21

**BURU ENERGY LIMITED  
DIRECTORS' REPORT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

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The Directors present their report together with the condensed consolidated interim financial report of Buru Energy Limited (the "Company") and its subsidiaries, and its interests in jointly controlled entities ("Buru" or the "Group") for the six months ended 31 December 2010 and the auditor's independent review report thereon.

### **Directors**

The names and details of the Directors of the Company in office at any time during or since the end of the period are as follows.

#### ***Executive***

Mr Eric Streitberg      Executive Director

#### ***Non-Executive***

Mr Graham Riley      Chairman

The Hon. Peter Jones

#### ***Company Secretary***

Mr Tom Streitberg

### **Principal Activities**

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

### **Review of operations**

The six months to 31 December 2010 were the busiest in Buru's short history. The key features of Buru's operations during the period were:

- the drilling of the Leander-1, Paradise-1 and Nangu-1 exploration wells;
- the conduct of the Yulleroo-2 and Stokes Bay-1 well tests;
- the completion of the Yulleroo South and Pijalinga 2D seismic surveys covering some 761 line kilometres in the Yulleroo and Acacia exploration provinces;
- Mitsubishi Corporation's ("MC") commitment to participate in the 2011 exploration campaign, being a commitment to fund \$40 million of a \$50 million exploration program during 2011 and up to \$50 million of Buru's development costs for major oil and gas infrastructure in the Canning Superbasin; and
- the commencement of planning and preparations for the 2011 exploration program including the execution of a letter of intent with Ensign International Energy Services ("Ensign") for the drilling of up to six wells during 2011 using Ensign Rig #32.

The Group's operations during the period are discussed in more detail below.

#### ***Production and Development***

The Group's oil production from the Blina and Sundown oil fields, contained within the L6 and L8 production licences, averaged approximately 48 barrels of oil per day ("bopd") for the period. This is a reduction from the approximately 83 bopd recorded in the twelve months ended 30 June 2010, reflecting the ongoing natural decline at the producing fields and the impact of mechanical issues at the Blina-1 and Blina-4 wells requiring those wells to be shut-in for a large part of the period.

The Blina and Sundown oil fields were cash flow positive for the period with a net cash inflow of \$299,774, however this surplus was enhanced by the timing of payments for certain production costs and fees payable to various statutory and regulatory bodies. A workover program at the Sundown oil field is scheduled to be conducted during the first quarter of 2011, followed by a maintenance program to address the mechanical issues at the Blina-1 and Blina-4 wells that are currently offline. If the workover and maintenance programs at the Sundown and Blina oil fields are successfully completed, they are expected to result in a material increase in production from the fields and depending on the timing of the completion of these programs, generate positive net cash flow for the full financial year ending 30 June 2011.

**BURU ENERGY LIMITED**  
**DIRECTORS' REPORT (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

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### *Drilling*

During the period Buru completed the drilling of the Leander-1, Paradise-1 and Nangu-1 exploration wells.

- **Leander-1** was the second well to be drilled in the 2010 drilling season. The well is located in Buru's 100% owned Production Licence L8. Drilling operations commenced on 8 July using the Company's Fairway Rig. Due to mechanical and operational difficulties the well was sidetracked from 1,473 metres and took a total of 61 days to reach a final depth of 2,280 metres. Although hydrocarbon shows were encountered, no commercially significant hydrocarbons were identified. The well was suspended on 7 September. The Leander-1 well is being considered for possible re-entry and sidetrack to test an interpreted hydrothermal dolomite anomaly some 500 metres to the west of the current well location.
- **Paradise-1** was the third well to be drilled in the 2010 drilling season and the first well to be drilled in the Company's 2010 Joint Exploration Program with MC. The well is located in exploration permit EP 428, on the boundary with EP 371. Under the terms of the farm-in agreement between Buru and MC, MC funded 80% of the costs of this well. Following MC's decision to participate in the 2011 exploration program, each of Buru and MC hold a 50% interest in the well and in EP 428 and EP 371. Drilling operations commenced on 18 October 2010 using Buru's Fairway Rig. Significant lost circulation zones were encountered in the shallow Grant Formation resulting in materially slower drilling rates than originally prognosed. Due to the slower than prognosed drilling rate and the onset of the wet season, the well was cased and suspended at 1,700 metres without reaching the targeted total depth of 2,500 metres. The deeper objective in the well (the Laurel Formation) was not penetrated prior to the suspension of drilling. Oil was seen entrained in the mud during drilling below 900 metres. An inflatable straddle drillstem test was undertaken over an interpreted oil zone from 902.5 to 910.9 metres in the Lower Grant Formation. The test recovered water with traces of oil. The results of the drillstem test are considered to be anomalous given the influx of oil into the well bore during drilling and the oil observed in the sidewall cores. Further analysis of the test results are being undertaken and alternative testing mechanisms are being evaluated. The joint venture is also considering options to test the deeper targets in the well and to follow up the prognosed oil bearing zone in additional exploration wells during the 2011 exploration program.
- **Nangu-1** was the fourth well to be drilled in the 2010 drilling season and the second well to be drilled in the Company's 2010 Joint Exploration Program with MC. The well is located in exploration permit EP 471. Under the terms of the farm-in agreement between Buru and MC, MC funded 80% of the costs of this well. Following MC's decision to participate in Buru's 2011 Canning Superbasin exploration program, each of Buru and MC hold a 50% interest in the well and in EP 471. Drilling operations commenced on 28 November 2010 using Hunt Energy Rig 3. The well took a total of 9 days to reach a total depth of 1,049 metres. No hydrocarbon shows were encountered and the well was plugged and abandoned. The regional implications of the failure of this well to encounter hydrocarbons are currently being evaluated.

### *Well Tests*

During the period the Company carried out tests of the Yulleroo-2 and Stokes Bay-1 wells.

- The **Yulleroo-2** well, drilled by ARC Energy in 2008 in exploration permit EP 391, followed up the Yulleroo-1 wet gas discovery and confirmed the existence of a large gas accumulation with an interpreted gross gas column of over 800 metres, with the potential to hold estimated recoverable resources, on a P50 basis, of in excess of 400 BCF of gas together with in excess of 20 mmbbls of liquids. In addition, the shales in the gas column have an estimated recoverable resource, on a P50 basis, of another 1 TCF of gas. The Yulleroo-2 well was not tested by ARC Energy due to mechanical difficulties with the rig at the time of drilling.

After analysis of the results of the Yulleroo-2 well it was agreed that the reservoir was likely to respond positively to reservoir stimulation of both the interpreted tight sand reservoir and the shale sections and a well stimulation and test of Yulleroo-2 was subsequently commenced on 31 October 2010.

**BURU ENERGY LIMITED**  
**DIRECTORS' REPORT (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

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The stimulation was conducted using “slick water” (99.5% clean water with minor additives) and an inert proppant. Three zones at 3,100 metres, 2,980 metres and 2,850 metres were stimulated between 31 October 2010 and 6 November 2010 with no material operational problems or HSE incidents. However, due to higher downhole pressures than expected being encountered, the volume of fluid and proppant injected was substantially less than planned. Despite this, on completion of the stimulation program the well commenced flowing gas without further intervention.

Following the initial flow the well has been intermittently shut-in and then allowed to flow in order to clean-up the stimulation fluids and establish a stabilised flow rate. Based on experience in shale and tight gas plays in the United States it is not unusual for the clean-up process to take some time to demonstrate the future potential productivity of the reservoir. The well was shut-in in late December for pressure build up. Flow back recommenced in early February and the well is continuing to flow gas at low rates, together with high salinity fluid (which is interpreted to be stimulation fluid flowback) at low rates (20 to 30 barrels per day). Approximately half of the injected fluid has been recovered to date. Condensate is also being produced, particularly after shut-ins for pressure build up.

Preliminary analysis of the gas recovered from the well to date has been completed. The recovered gas is high quality, being predominantly methane and ethane with no hydrogen sulphide and negligible carbon dioxide. The gas also contains 10% LPGs, which will materially increase the value of any production from the field. In addition, condensate has been produced throughout the clean-up flow and, while no condensate/gas ratio can be determined until a stabilised flow has been established, this is a highly encouraging sign given the significant value uplift associated with condensate production.

Under the terms of the farm-in agreement between Buru and MC, MC is required to fund 80% of the costs of this well stimulation and test program.

- The **Stokes Bay-1** well was drilled by ARC Energy in 2007. An inconclusive test of the Nullara Formation vugular carbonate reservoir was carried out by Buru in late 2008.

The current testing program commenced on 12 November 2010 and was completed on 14 November within budget and with no HSE incidents. The test recovered 2,760 barrels of interpreted reservoir fluid. The recovered fluid was 100% water with no indications of hydrocarbons. The well has now been suspended while the joint venture evaluates the results of the test and considers a forward program.

### ***Seismic***

During the period Buru completed the Yulleroo South and Pijalinga 2D seismic surveys covering some 761 line kilometres in the Yulleroo and Acacia exploration provinces:

- **Yulleroo South 2D Seismic Survey** – Acquisition of this seismic survey commenced on 28 August and was completed on 28 September 2010. A total of 346.2 line kilometres of seismic was acquired with data quality being good to excellent. The survey was undertaken to firm up existing prospects, and identify new leads and prospects, in the Jackaraoo and Ungani trends surrounding the existing Yulleroo-2 gas/condensate discovery for potential inclusion in the 2011 exploration program.
- **Pijalinga 2D Seismic Survey** – Acquisition of this seismic survey commenced on 2 October and was completed on 8 November 2010. A total of 414.8 line kilometres of seismic was acquired and initial reviews of the data indicate that data quality is good to excellent. The purpose of the Pijalinga 2D seismic survey is to mature to drillable status multiple leads in the Acacia Fairway for potential inclusion in the 2011 exploration program and to provide additional regional coverage.

In accordance with the terms of the farm-in agreement between Buru and MC, MC funded 80% of the costs of both these seismic surveys.

**BURU ENERGY LIMITED**  
**DIRECTORS' REPORT (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

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***Corporate***

On 30 November 2010 the Company announced that MC had exercised its option to participate in Buru's 2011 exploration program in the Canning Superbasin. By exercising this option MC is now committed to fund \$40 million of a \$50 million exploration program in 2011 and up to \$50 million of Buru's development costs for major oil and gas production infrastructure in the Canning Superbasin. This is in addition to the \$22.4 million of exploration that MC had committed to fund for the 2010 Joint Exploration Program, with any unspent portion of this \$22.4 million being available to be spent on future exploration. By committing to fund the 2011 exploration program MC will earn an equal interest to Buru in the majority of Buru's permits.

In addition to the expenditure commitment and interest in Buru's permits earned to date:

- MC has the right to earn an interest in the unconventional resources in Buru's exploration permits by carrying a further \$40 million of Buru's unconventional exploration costs in 2012 (if MC does not fund this exploration then all rights to unconventional resources in Buru's permits in the Canning Superbasin will revert back to Buru); and
- MC has the right to acquire a 50% interest in Buru's production permits in exchange for an additional cash payment at a price determined by an independent expert based on 2P reserves.

Buru will continue as the operator of all of its permits. However, MC will lead any LNG commercialisation efforts in the joint venture permits in the Canning Superbasin.

During the period, the Company participated in a capital raising undertaken by New Standard Energy Limited ("NSE"). Participation in the capital raising allowed the Company to maintain its strategic shareholding in NSE of ~10%. NSE is the second largest holder of exploration acreage in the Canning Superbasin, with its permits being located in the southern part of the Superbasin, to the south of the Company's exploration acreage. The Company's participation in the capital raising was at a cost of \$624,650, with the shares acquired being valued at \$883,126 at the end of the period.

***Planning for the 2011 Exploration Program***

MC's commitment to participate in the 2011 exploration program is based on an indicative exploration program consisting of:

- the appraisal of the Pictor oil and gas discovery in exploration permit EP 431;
- the drilling of two exploration wells in the Yulleroo exploration province, either to directly appraise the Yulleroo accumulation or to drill new prospects on the trend confirmed by Yulleroo-2 and the Yulleroo South 2D seismic survey, targeting further significant gas/condensate accumulations;
- The completion of drilling of the suspended Paradise-1 exploration well to the deeper Laurel targets;
- the drilling of two exploration wells in the Acacia exploration province targeting significant oil accumulations;
- the drilling of the Cyrene-1 exploration well in exploration permit EP 438;
- a well to test one of the unconventional play types currently being evaluated and quantified by Buru; and
- the acquisition of approximately 1,250 kilometres of new 2D seismic and 250 square kilometres of new 3D seismic.

Buru and MC are also considering undertaking additional exploration or appraisal drilling in the Paradise area, dependent on the further analysis and testing of the Paradise-1 well as discussed above. The final 2011 exploration program will be agreed by Buru and MC in time for an anticipated commencement of drilling in late April 2011. Based on the success of the stimulation testing of the Yulleroo-2 well during the period Buru and MC are considering whether a similar technique can be applied to a number of existing wells in the Canning Superbasin, or to new exploration wells drilled during 2011, enabling a wider range of conventional and unconventional play types to be tested as part of the 2011 exploration program.

The 2011 exploration program is expected to be the largest onshore exploration program conducted in Western Australia in 2011. Accordingly, the Company has commenced active planning for the exploration program. This includes commencing

**BURU ENERGY LIMITED**  
**DIRECTORS' REPORT (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

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the detailed technical evaluation needed to finalise drilling prospects and optimum seismic acquisition parameters, and commencing negotiations with Traditional Owners for heritage approvals to undertake on-ground activities.

**After Balance Date Events**

On 28 February, the Company changed its registered office to Level 2, 97 William Street, Perth.

No other significant events have occurred subsequent to balance date other than those already disclosed in the review of operations.

**Dividends**

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

**Auditor's Independence Declaration**

The lead auditor's independence declaration for the period has been received and can be found on page 20.

**Rounding Off**

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



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Mr Eric Streitberg  
Executive Director  
Perth  
11 March 2011



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Mr Graham Riley  
Chairman  
Perth  
11 March 2011



**BURU ENERGY LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

*in thousands of AUD*

	Note	31 Dec 2010	30 Jun 2010
<b>Assets</b>			
Cash and cash equivalents		30,927	40,704
Trade and other receivables		5,774	2,083
Inventories		852	1,295
<b>Total current assets</b>		<b>37,553</b>	<b>44,082</b>
Property, plant and equipment	9	3,210	3,086
Exploration and evaluation expenditure	7	29,755	18,434
Development expenditure		53	13
Other investments	8	25,671	24,622
<b>Total non-current assets</b>		<b>58,689</b>	<b>46,155</b>
<b>Total assets</b>		<b>96,242</b>	<b>90,237</b>
<b>Liabilities</b>			
Trade and other payables		7,598	2,614
Provisions		176	103
<b>Total current liabilities</b>		<b>7,774</b>	<b>2,717</b>
Trade and other payables	10	40,000	40,000
Provisions		5,103	5,100
<b>Total non-current liabilities</b>		<b>45,103</b>	<b>45,100</b>
<b>Total liabilities</b>		<b>52,877</b>	<b>47,817</b>
<b>Net assets</b>		<b>43,365</b>	<b>42,420</b>
<b>Equity</b>			
Share capital		75,450	75,440
Reserves		4,442	3,701
Accumulated losses		(36,527)	(36,721)
<b>Total equity</b>		<b>43,365</b>	<b>42,420</b>

*The notes on pages 13 to 16 are an integral part of these consolidated financial statements.*

**BURU ENERGY LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

<i>in thousands of AUD</i>	<b>31 Dec 2010</b>	<b>31 Dec 2009</b>
Revenue	716	1,374
Cost of sales	(807)	(1,186)
<b>Gross profit</b>	<b>(91)</b>	<b>188</b>
Other income	627	36
Exploration and evaluation expenditure	(773)	-
Impairment of exploration expenditure	-	(92)
Establishment and transaction expenses	(82)	(56)
Administrative personnel expenses	(1,452)	(837)
Share based payments	(619)	(1,601)
Office and other administration expenses	(1,050)	(447)
Joint venture partner's share of technical and administrative expenditure	2,500	-
<b>Results from operating activities</b>	<b>(940)</b>	<b>(2,809)</b>
Finance income	1,136	1,199
Finance expenses	(2)	(1)
<b>Net finance income</b>	<b>1,134</b>	<b>1,198</b>
<b>Profit / (loss) before income tax</b>	<b>194</b>	<b>(1,611)</b>
Income tax benefit	-	-
<b>Profit / (loss) for the period</b>	<b>194</b>	<b>(1,611)</b>
<b>Other comprehensive income</b>		
Change in fair value of available-for-sale financial assets net of tax	121	1,100
<b>Other comprehensive income for the period, net of income tax</b>	<b>121</b>	<b>1,100</b>
<b>Total comprehensive income / (loss) for the period</b>	<b>315</b>	<b>(511)</b>
<b>Basic earnings / (loss) per share (cents)</b>	<b>0.11</b>	<b>(0.91)</b>
<b>Diluted earnings / (loss) per share (cents)</b>	<b>0.09</b>	<b>(0.91)</b>

*The notes on pages 13 to 16 are an integral part of these consolidated financial statements.*

**BURU ENERGY LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

	Share capital	Treasury share reserve	Option premium reserve	Share based payment reserve	Financial asset revaluation reserve	Retained losses	Total equity
<i>in thousands of AUD</i>							
<b>Balance as at 1 July 2009</b>	<b>71,573</b>	-	-	<b>238</b>	-	<b>(32,398)</b>	<b>39,413</b>
<b>Comprehensive income for the period</b>							
Loss for the period	-	-	-	-	-	(1,610)	(1,610)
Net change in fair value of available for sale financial assets	-	-	-	-	1,100	-	1,100
<b>Total comprehensive income for the period</b>	-	-	-	-	<b>1,100</b>	<b>(1,610)</b>	<b>(510)</b>
<b>Transactions with owners recorded directly in equity</b>							
Issue of ordinary shares	3,867	-	-	-	-	-	3,867
Share based payment transactions	-	-	-	1,601	-	-	1,601
Adjustment for forfeited options	-	-	-	(64)	-	64	-
<b>Total transaction with owners recorded directly in equity</b>	<b>3,867</b>	-	-	<b>1,537</b>	-	<b>64</b>	<b>5,468</b>
<b>Balance as at 31 December 2009</b>	<b>75,440</b>	-	-	<b>1,775</b>	<b>1,100</b>	<b>(33,944)</b>	<b>44,371</b>

*The notes on pages 13 to 16 are an integral part of these consolidated financial statements.*

**BURU ENERGY LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

	Share capital	Treasury share reserve	Option premium reserve	Share based payment reserve	Financial asset revaluation reserve	Retained losses	Total equity
<i>in thousands of AUD</i>							
<b>Balance as at 1 July 2010</b>	<b>75,440</b>	<b>(633)</b>	<b>133</b>	<b>1,863</b>	<b>2,338</b>	<b>(36,721)</b>	<b>42,420</b>
<b>Comprehensive income for the period</b>							
Loss for the period	-	-	-	-	-	194	194
Net change in fair value of available-for-sale financial assets	-	-	-	-	121	-	121
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>121</b>	<b>194</b>	<b>315</b>
<b>Transactions with owners recorded directly in equity</b>							
Issue of ordinary shares	10	-	-	-	-	-	10
Share based payment transactions	-	-	-	620	-	-	620
Adjustment for forfeited options	-	-	-	-	-	-	-
<b>Total transaction with owners recorded directly in equity</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>620</b>	<b>-</b>	<b>-</b>	<b>630</b>
<b>Balance as at 31 December 2010</b>	<b>75,450</b>	<b>(633)</b>	<b>133</b>	<b>2,483</b>	<b>2,459</b>	<b>(36,527)</b>	<b>43,365</b>

*The notes on pages 13 to 16 are an integral part of these consolidated financial statements.*

**BURU ENERGY LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

<i>In thousands of AUD</i>	31 Dec 2010	31 Dec 2009
<b>Cash flows from operating activities</b>		
Cash receipts from product sales and related debtors	1,137	1,896
Payments to suppliers and employees	(3,149)	(3,178)
Payments for restoration to existing producing assets	-	(59)
Interest paid	-	(1)
<b>Net cash outflow from operating activities</b>	<b>(2,012)</b>	<b>(1,342)</b>
<b>Cash flows from investing activities</b>		
Interest received	1,513	543
Payments for purchase of plant and equipment	(439)	(653)
Payments for exploration and evaluation expenditure	(7,415)	(10,702)
Payments for development expenditure	(53)	-
Transfer to long-term cash held in escrow *	(304)	(310)
Payments for available-for-sale financial assets	(624)	-
<b>Net cash outflow from investing activities</b>	<b>(7,322)</b>	<b>(11,122)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of share capital	10	609
Loan pursuant to the employee share acquisition scheme	-	(500)
<b>Net cash from financing activities</b>	<b>10</b>	<b>109</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(9,324)</b>	<b>(12,355)</b>
Cash and cash equivalents at beginning of the period	40,704	58,274
Effect of exchange rate changes on cash and cash equivalents	(453)	(150)
<b>Cash and cash equivalents at the end of the period</b>	<b>30,927</b>	<b>45,769</b>

\* Funds held in escrow on behalf of Alcoa of Australia Limited

*The notes on pages 13 to 16 are an integral part of these consolidated financial statements.*

**BURU ENERGY LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

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**1 Reporting Entity**

Buru Energy Limited (“Buru” or the “Company”) is a company domiciled in Australia. The address of the Company’s registered office is Level 2, 97 William Street, Perth, Western Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2010 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 in the Canning Superbasin in the Kimberley region of north west Western Australia.

The consolidated financial statements of the Group as at and for the year ended 30 June 2010 are available upon request from the Company’s registered office or at [www.buruenergy.com](http://www.buruenergy.com).

**2 Basis of Preparation**

**(a) Statement of Compliance**

These condensed consolidated interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting*. 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 30 June 2010. 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 11 March 2011.

**3 Significant Accounting Policies**

The 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 30 June 2010. Certain comparative amounts have been reclassified to conform with the current period’s presentation.

**4 Estimates**

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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 30 June 2010.

**5 Segment Information**

The Group has only one reportable business segment being the exploration, evaluation and development of oil and gas resources. Buru operates entirely in the geographical location of Western Australia.

**6 Financial Risk Management**

Aspects of the Group’s financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2010.

**BURU ENERGY LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

**7. Exploration and Evaluation Expenditure**

<i>in thousands of AUD</i>	<b>Dec 10</b>	<b>Dec 09</b>
	\$	\$
Carrying amount at beginning of the interim period	18,434	3,601
Acquired through acquisition of subsidiary	-	6,458
Expenditure incurred and capitalised during the period	11,321	6,990
Exploration expenditure written off	-	(92)
Carrying amount at the end of the interim period	29,755	16,957

The ultimate recoupment of costs carried forward for exploration assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

**8. Financial Assets**

<i>in thousands of AUD</i>	<b>Dec 10</b>	<b>Jun 10</b>
	\$	\$
<b>Non-current financial assets</b>		
Available-for-sale financial assets	3,702	2,957
Long-term cash held in escrow <sup>(i)</sup>	21,940	21,636
Other available-for-sale-financial assets	29	29
	25,671	24,622

(i) Buru and Alcoa of Australia Limited (“Alcoa”) have agreed to escrow \$20 million in cash and accrued interest earned on the escrowed cash in partial satisfaction of Buru’s potential obligations to repay \$40 million to Alcoa if Buru does not supply gas in accordance with a gas sales agreement between Alcoa and Buru (Note 10).

**9. Property, plant and equipment**

During the six months ended 31 December 2010 the Group acquired assets with a cost of \$542,000 (six months ended 31 December 2009: \$774,000).

**10. Non-current Trade and Other Payables**

<i>in thousands of AUD</i>	<b>Dec 10</b>	<b>Jun 10</b>
	\$	\$
Unearned income <sup>(i)</sup>	40,000	40,000

(i) Unearned income consists of Buru’s potential obligation to repay a \$40 million gas prepayment made by Alcoa to ARC Energy Ltd (“ARC”) prior to the demerger of Buru. ARC entered into a gas supply agreement (“GSA”) with Alcoa in September 2007. The GSA was novated from ARC to Buru as part of the demerger of Buru from ARC. The GSA provides for the delivery to Alcoa of up to 500 PJ of gas from gas discoveries made by Buru on Buru’s Canning Superbasin permits prior to 1 January 2012. Pursuant to the GSA, Alcoa made a prepayment to ARC of \$40 million for gas to be delivered under the GSA. Buru will be obliged to repay this \$40 million in three equal annual instalments commencing on 31 December 2012 if, prior to 1 January 2012, Buru has not made a final investment decision to proceed with a gas development that would allow the supply of sufficient gas to meet its delivery obligations under the GSA. If Buru is required to repay the \$40 million, there is no interest obligation. The third instalment may, at Buru’s option, be settled by Buru issuing shares to Alcoa in satisfaction of the repayment obligation.

**BURU ENERGY LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

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Buru has entered into an escrow agreement with Alcoa pursuant to which Buru has agreed to hold \$20 million plus accrued interest for the benefit of Alcoa as security against the potential obligation to repay the \$40 million (Note 8).

Revenue will only be recognised when Buru delivers gas under the GSA. At balance date, no gas has been supplied to Alcoa and therefore the balance is presented as a non-current payable in the balance sheet.

**11. Share Capital**

	<b>Ordinary Shares</b>	
	<b>1 Jul 10 – 31 Dec 10</b>	<b>1 Jul 09 – 31 Dec 09</b>
	<b>No.</b>	<b>No.</b>
On issue at the beginning of the interim period	182,769,813	162,119,728
Issued on acquisition of subsidiary – 4 Sep 09	-	18,000,000
Issued to Mr Eric Streitberg – 23 Oct 09	-	2,650,000
Listed options exercised during the period	10,736	-
On issue at the end of the interim period – fully paid	182,780,549	182,769,728

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.

**12 Capital and Other Commitments**

	<b>Dec 10</b>	<b>Jun 10</b>
	<b>\$</b>	<b>\$</b>
<b>Exploration expenditure commitments</b>		
<i>Contracted but not yet provided for and payable:</i>		
Within one year	11,600	12,400
One year later and no later than five years	33,300	31,800
Later than five years	8,500	-
	53,400	44,200

The commitments are required in order to maintain the petroleum exploration permits in which the Group has interests in good standing with the Department of Mines & Petroleum ("DMP"). These obligations may be varied from time to time, subject to approval by the DMP. The commitments also include amounts that the Group has agreed to spend in order to meet its farm-in obligations with joint venture entities which may be varied from time to time subject to the approval of other contracting parties.

**13. Events after balance date**

No significant events have occurred subsequent to balance date other than those already disclosed in the review of operations.

**14. Related party transactions**

Key management personnel receive compensation in the form of wages, short-term employee benefits, post-employment benefits and share based payments. During the period, key management personnel received total cash compensation of \$910,000 (31 December 2009: \$699,000) and share based payments valued under AASB 2 at \$529,000 (31 December 2009: \$1,544,000).

At the 2009 Annual General Meeting, shareholders approved the terms of an employee share acquisition scheme ("Scheme"). Under the Scheme the Company may make loans to employees to enable them to acquire Buru shares on market. Such loans are subject to certain terms and conditions as detailed in the 2009 Notice of Annual General Meeting. Loans made under the Scheme as at 31 December 2010 include loans to key management personnel of \$480,000 (31 December 2009: \$480,000).



**BURU ENERGY LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

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

**BURU ENERGY LIMITED  
DIRECTORS' DECLARATION**

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

- (a) the financial statements and notes set out on pages 13 to 16, 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 2010 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:

Perth, 11 March 2011



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Mr Eric Streitberg  
Executive Director



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Mr Graham Riley  
Chairman



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

### **Report on the financial report**

We have reviewed the accompanying interim financial report of Buru Energy Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2010, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year period ended on that date, notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year period.

#### *Directors' responsibility 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* and for such 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*

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 31 December 2010 and its performance for the half-year period 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.

#### *Independence*

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



*Conclusion*

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:

(a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the half-year period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Brent Steedman  
*Partner*

Perth

11 March 2011



***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 for the half-year ended 31 December 2010 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.

*KPML*

KPMG

*R + Ste*

Brent Steedman  
*Partner*

Perth

11 March 2011

**BURU ENERGY LIMITED  
CORPORATE DIRECTORY**

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**Directors**

Mr Graham Riley – Chairman  
Mr Eric Streitberg – Executive Director  
The Hon Peter Jones – Non-Executive Director

**Company Secretary**

Mr Tom Streitberg

**Registered and Principal Office**

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**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 Stock Exchange  
Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

**ASX Code**

BRU: Listed ordinary shares