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**ASX ANNOUNCEMENT (ASX: BRU)**

**26 February 2013**

**Half Year Report - 31 December 2012**

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Please find attached Buru Energy Limited's ("**Buru**" or "**Company**") Half Year Report for the six months ended 31 December 2012.

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

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

**Interim Financial Report**  
**For the period ended 31 December 2012**

**BURU ENERGY LIMITED**  
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**BURU ENERGY LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

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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 2012 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

Dr Keiran Wulff - Managing Director

(Appointed Non-Executive Director from 19 October 2012 and Managing Director from 14 January 2013)

***Non-Executive***

Mr Graham Riley - Chairman

The Hon Peter Jones AM

Mr Austin Miller

(Appointed 9 November 2012)

***Joint Company Secretaries***

Mr Tom Streitberg

Mr Chris Bath

Mr Shane McDermott

(Appointed 1 November 2012)

(Resigned 1 November 2012)

**Principal Activities**

The principal activity of the Group during the period was oil and gas exploration and production 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 key activities during the six months ended 31 December 2012 included:

- the commencement of the Extended Production Test ("EPT") at the Ungani Field;
- the drilling of the Yulleroo 3, Asgard 1 and Ungani North 1 wells, as well as the commencement of drilling of the Cyrene 1 and Yulleroo 4 wells;
- the completion of the Yakka Munga 2D and Asgard 2D seismic surveys, as well as the commencement and subsequent suspension of the Ungani 3D seismic survey;
- the acquisition of interests in EP 457, EP 458 and application area 5/07-8;
- successfully raising a total of \$40 million (before costs) by way of a placement to institutional investors to fund the above acquisitions;
- the execution of a State Agreement with the West Australian State Government;
- a further two year extension of the Gas Supply Agreement between Buru and Alcoa; and
- the continued transformation of the Company's Senior Management Team and Board to build appropriate capability.

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

**Production and Development**

*Ungani Field Extended Production Test and Volumetric Estimates*

The Ungani Field Extended Production Test continued during the period with very encouraging production performance confirming the high quality of the reservoir and the ultimate production potential of the Field. As at 31 December 2012 a

**BURU ENERGY LIMITED**  
**DIRECTORS' REPORT (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

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total of 76,609 barrels of oil had been produced from the Field, with Ungani 1 producing some 12,861 barrels of oil and Ungani 2 producing some 63,748 barrels of oil since the commencement of the clean-up flows.

The results to date indicate that, as initially modelled, and in common with other fields with high quality reservoirs, horizontal production wells drilled along the top of the reservoir for lengths up to 2,000 metres will be capable of high oil production rates at low water cuts for extended periods. It is therefore expected that the Field will be able to be developed with between two and four horizontal wells. Once the full field development plan is finalised, the Ungani 1 and 2 vertical wells can be converted to horizontal wells or recompleted to a more optimal configuration.

Buru's initial volumetric estimates of recoverable resources for the Ungani Field were between 5 and 20 million barrels. These volumes were calculated from Buru's interpretation of the existing sparse 2D seismic data and Buru's interpretation of the reservoir data from the Ungani 1 and 2 wells. The initial analysis of the pressure data obtained to the date of the last shut in period during October suggested a minimum recoverable resource of some 8 million barrels, with further data and appraisal well intersections being needed to effectively quantify the upside from the 8 million barrels interpreted from the pressure response of the current wells. These analyses also indicated that the current production rates and produced volumes were likely to lead to water cuts similar to, or greater than, those that are currently being seen.

The next iteration of the volumetric estimates was expected to take place after the 3D seismic data was acquired. Due to the delay in the acquisition of the 3D seismic, it was decided to have Buru's existing volumetric estimates independently reassessed by RISC. RISC's independent estimate, using probabilistic methods on the basis of the currently available volumetric data, including RISC's mapping of the existing sparse 2D seismic data, and their interpretation of the petrophysical data from the wells, is of a recoverable gross 2C contingent resource of 9.9 million barrels (Buru interest 50%). RISC's independent analysis supports the mid case resource range estimated by Buru and leaves the upside case to be determined by additional seismic data and appraisal wells.

#### *Planning for Ungani Full Field Development*

Full production from the Field requires the issue by the Western Australian DMP of a Production Licence. The Production Licence requires the development of a Field Development Plan ("FDP"), and the approval by the DMP of this plan. It also requires the execution of a Production Agreement between Buru and the Traditional Owners of the Ungani area, and negotiations in that regard were continued during the period.

The FDP, together with key environmental management documents for the Field, have now been submitted to the DMP for review and approval. These documents will be refined on an iterative basis as more analysis of the Field and production options is undertaken.

#### *Blina and Sundown Oil Fields*

Oil sales from the Company's Blina and Sundown oilfields, in the L6 and L8 production licences, averaged approximately 35 bopd (31 December 2011: 64bopd) and generated a net cash operating surplus of \$117,000 for the period (31 December 2011: \$393,000). The Company continues to assess possible options to improve production levels from these fields.

### **Drilling**

#### *Yulleroo 3*

Yulleroo 3 was the third well to be drilled in the 2012 Appraisal and Exploration Program. The well is located in Exploration Permit EP 391 some 80 kilometres to the east of Broome. Buru and Mitsubishi Corporation ("Mitsubishi") each have a 50% interest in this well and in EP 391, with Mitsubishi contributing 80% of the cost of the well under the terms of its farm-in agreement with Buru.

**BURU ENERGY LIMITED**  
**DIRECTORS' REPORT (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

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The drilling of Yulleroo 3 confirmed the significant upside potential of the Yulleroo Field, with strong gas shows from approximately 2,130 metres measured depth to the final total depth of 3,712 metres, including over a thousand metres of gas charged section above the previously interpreted top of the gas sands in Yulleroo 1. A package of sands with conventional reservoir properties was also identified at approximately 3,200 metres measured depth. If this sand is developed over a larger area with similar reservoir properties it could add significantly to the commercial potential of the Field.

There was also a good stratigraphic correlation with the Laurel section in Yulleroo 1, about two kilometres away, which provides confidence in the continuity of the reservoir section across the greater Yulleroo structure, and hence the volumes of gas in the structure. The gas wetness ratios and inferred pressure data in the well are also indicative of the Yulleroo accumulation potentially being part of a broader basin centred gas accumulation similar to the Valhalla accumulation, which would significantly add to the resource upside of the Field.

#### *Ungani North 1*

Ungani North 1 was the fourth well to be drilled in the 2012 Appraisal and Exploration Program. The well is located in Exploration Permit EP 391 some 100 kilometres to the east of Broome, and lies some six kilometres north of the Ungani Production Facility. Buru and Mitsubishi each have a 50% interest in this well and in EP 391, with Mitsubishi and Buru each contributing 50% of the cost of the well.

The Ungani North 1 well was suspended in August 2012 after being drilled to a depth of 2,292 metres. The suspension was subsequent to a mechanical failure on MB Century Rig #7 which resulted in damage to the top drive and parts of the rig substructure. The rig was released after the well had been suspended. Drilling recommenced using Ensign Rig #32 in October 2012.

Ungani North 1 was the first well drilled to follow up the Ungani oil discovery, and encountered a thicker sealing shale over the Ungani Dolomite oil zone than is present at Ungani, and what is interpreted to be an oil column of approximately 46 metres at the top of a much thicker dolomite reservoir section than is present at Ungani. The reservoir in Ungani North 1 does not have as well developed vugular porosity as the reservoir in Ungani, such that flow rates are likely to be lower than in Ungani. However, flow testing is required to determine the rate, with even low rates being commercially attractive given its proximity to the Ungani infrastructure, some six kilometres away. The Ungani North 1 well has confirmed the geological model for the area and substantially de-risked the other Ungani Dolomite oil prospects in the trend.

Ungani North 1 also encountered strong oil and gas shows in the Nullara Formation below the Ungani Dolomite in a section that has not been encountered in the basin before in this geological setting. This section appears to be gas saturated with strong indications of oil. The logging program has confirmed that several zones which had excellent gas shows also have interpreted conventional porosity in fractures and vugs. If these zones flow gas at commercial rates this will be a conventional gas discovery in what is mapped as a large structural closure at Ungani North. More broadly, this result has identified the potential for a new conventional gas play which may be present as an exploration target for at least 100 kilometres along the southern margin of the basin.

The well was completed to total depth with 7 inch casing and the evaluation and testing program is under review. The testing program will require all necessary approvals and the mobilisation of specialist equipment. It is intended to progress these as quickly as practicable to ensure the evaluation of the well is completed in a timely manner, but until these reviews and programs are completed early this year, it is not possible to be specific about the program and timing.

#### *Asgard 1*

Asgard 1 was the fifth well to be drilled in the 2012 Appraisal and Exploration Program. The well is located in Exploration Permit EP 371 some 180 kilometres to the southeast of Derby, and 30 kilometres northeast of Noonkanbah Station. Buru and

**BURU ENERGY LIMITED**  
**DIRECTORS' REPORT (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

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Mitsubishi each have a 50% interest in this well and in EP 371, with Mitsubishi contributing 80% of the cost of the well under the terms of its farm-in agreement with Buru.

During drilling, gas shows increasing with depth were encountered from the top of the Upper Laurel Clastics at approximately 1,919 metres measured depth to the revised total depth of 3,524 metres. The well was deepened to this revised total depth as strong gas shows in discrete sand units were still being encountered close to the original proposed total depth of 3,400 metres.

These gas shows are similar to those encountered in Valhalla North 1, with similar gas wetness ratios and heavier hydrocarbon indications. During logging operations hole conditions deteriorated, and the planned full log suite, including the wireline pressure and sample measurements, was not able to be obtained. However, the logs obtained were sufficient to provide the data required to assess the potential of the well, and indicated gas saturations over the extent of the Laurel section in tight sands, silts and limestones. A limited set of rotary sidewall cores was able to be obtained, including from the section close to total depth, where gas was noted bleeding from the sidewall cores at surface, and also from the section close to the top of the Laurel Formation where gas was also noted bleeding from a sidewall core at surface.

These results are similar to the results of the Valhalla wells and provide further confirmation of the extent of the Basin Centred Gas Accumulation identified by these wells. In addition to the similarities to the Valhalla wells in gas wetness and balance ratios, there are also interesting differences in the geology, including the identification of a potential new play type in the Lower Laurel section with strong gas shows, which led to the deepening of the well past the original proposed total depth.

#### *Cyrene 1*

The Cyrene 1 well is located in Exploration Permit EP 438 and is being drilled by Key Petroleum as operator. The well is targeting a conventional oil target in the Willara Formation carbonates and is also targeting the overlying section of Goldwyer Shale which has unconventional prospectivity for oil and wet gas.

The conventional target in this well has the capacity to hold in the order of 5 million barrels of recoverable oil, if hydrocarbons are present. The unconventional target in this well is a 135 metre thick section of the Goldwyer Shale. The Goldwyer Shale is present, regionally extensive, and has been penetrated by a number of wells on Buru's permits. The Goldwyer is in the oil window at the Cyrene location and in the wet gas window in other areas of Buru's permits where it is buried deeper than at the Cyrene location.

#### *Yulleroo 4*

Yulleroo 4 is the first well to be drilled in the 2013 Appraisal and Exploration Program. The well is located in Exploration Permit EP 436 some 80 kilometres to the east of Broome. Buru and Mitsubishi each have a 50% interest in this well and in EP 436, with Mitsubishi contributing 80% of the cost of the well under the terms of its farm-in agreement with Buru. Drilling operations commenced on 19 January 2013. The purpose of this well is to further appraise the Yulleroo wet gas accumulation and confirm the presence of a significant basin centred gas accumulation.

The 2013 program is likely to include a series of oil exploration wells on both the Ungani trend and in the Acacia area. The unconventional program will be influenced by the results of the Yulleroo 4 well and the current technical analysis of the wells drilled during 2012. The selection of drilling rigs for the program will be completed once the program is confirmed and joint venture discussions and approvals are completed.

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**DIRECTORS' REPORT (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

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**Seismic**

*Yakka Munga and Asgard 2D Seismic Surveys*

During the period Terrex Seismic completed the Yakka Munga 2D seismic survey over the very prospective Yakka Munga area. The Yakka Munga area covers the north-eastern extension of the Ungani trend and contains a number of large conventional oil prospects currently being considered for drilling in 2013. Terrex Seismic also completed the Asgard 2D seismic survey. The Asgard survey is designed to provide further regional data over the Valhalla accumulation to allow siting of further wells on the most prospective parts of the accumulation.

*Ungani 3D Seismic Survey*

Acquisition of the Ungani 3D seismic survey by Terrex Seismic was commenced on 22 October 2012. Once completed, the 3D survey will cover the Ungani and Ungani North structures and will be an important component in the determination of the size and boundaries of the Ungani Oilfield. On 25 October 2012 a possible heritage disturbance was formally reported to Buru by KRED Enterprises on behalf of the Nyikina Mangala Traditional Owners. This was in a small area of the survey where line preparation had been completed but seismic data acquisition had not yet commenced.

All seismic operations in the Ungani area, not just in the area of the alleged disturbance, were immediately suspended when the matter was brought to the Company's attention, and the Terrex crew was put on standby. Buru has since been co-operating with the Department of Indigenous Affairs ("DIA") which is conducting an investigation, including a field inspection.

Taking into account both Buru's desire to ensure Traditional Owners concerns are addressed, and the DIA investigation is able to be completed without interruption or distraction, together with the potential for the redesign of the survey to ensure the Ungani North structure is fully detailed, the decision was taken to demobilise the Terrex seismic crew. Both the Ungani 3D survey and the planned Commodore 2D survey are now planned to be undertaken at the commencement of the dry season in 2013, subject to crew availability at the time.

The delay in acquiring the 3D seismic may affect the timing of the appraisal and development drilling on the Ungani Oilfield, and the Company will be reviewing the options for the forward program to ensure that the Production Licence for the Ungani Oilfield can be issued during 2013 and the ramp up to full production across 2013 and 2014 can continue as planned.

**Corporate**

*Acquisitions*

During the period Buru entered into two transactions to substantially increase the Company's acreage position across highly prospective areas of the Canning Superbasin. These transactions supplement and expand the Company's access to the key Ungani oil trend and the Valhalla tight gas accumulation, including further substantial exposure to the potential basin wide Laurel Formation wet gas accumulation.

Pursuant to these transactions, Buru acquired an indirect 90% interest in each of EP 457 and EP 458 by acquiring all of the shares in Gujarat NRE Oil Limited ("GNOL") (now Buru Fitzroy Limited) from its parent company for a total cash consideration of \$36 million, and the agreement to purchase a 50% interest in the permit to be issued in respect of application area 5/07-8 ("Derby Block"), from Backreef Oil Limited, for a total cash consideration of \$3.5 million, payable upon grant of the permit (together, the "Acquisitions").

The Acquisitions were funded by a fully underwritten placement of new shares to institutional investors to raise \$40 million (before costs). Exploration Permits EP 457 and EP 458 cover parts of the southern flank of the Fitzroy Trough where the



**BURU ENERGY LIMITED**  
**DIRECTORS' REPORT (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

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Goldwyer Shale lies in the oil to wet gas window, and they also cover the Fitzroy Trough proper where the Ungani trend and the Laurel Formation tight gas plays are interpreted to be present.

Buru's acquisition of the Fitzroy permits is through the acquisition of Buru Fitzroy Limited ("Buru Fitzroy"), which holds a 90% interest in each of the new permits and is the operator of the permits. The remaining 10% interest in the permits is held by Rey Resources Limited ("Rey"). Under the pre-existing farm-in arrangement, Rey's share of exploration costs will continue to be carried by Buru Fitzroy through to the establishment of production from the permits, when any carry costs will be repaid from production.

Native title agreements are currently being negotiated prior to grant of the permit in respect of the Derby Block. Negotiations are expected to conclude in the first half of 2013. On grant of the permit, Buru will acquire and pay for the 50% interest currently held by Backreef Oil Limited. Although the Derby Block exploration potential is less well developed than the Fitzroy permits, it includes the Laurel tight gas play, an untested conventional Devonian reef oil play, and shallow conventional oil plays.

Under a further agreement to the initial Buru Mitsubishi farm-in agreement, Buru has agreed to provide Mitsubishi with an option period during which Mitsubishi may acquire half of Buru's interests in these newly-acquired permits and the application area, on the same terms as Buru, subject to all necessary approvals.

#### *Capital Raising*

During the period Buru successfully raised \$40 million (before costs of \$1.4 million) through the placement of new shares to institutional investors ("Institutional Placement"). The Institutional Placement was conducted via a variable price bookbuild, at a final price of \$2.75 per share, a 3.5% discount to the last closing price on 25 September 2012. The bookbuild was significantly oversubscribed. Under the Institutional Placement, Buru issued 14,545,455 shares, representing some 5.8% of the Company's issued capital at that time.

#### *Execution of State Agreement*

During the period, Buru entered into an agreement with the Western Australian State Government ("State Agreement") to provide long term tenure over the Company's most prospective acreage and facilitate the development of a domestic gas project and pipeline, once sufficient gas reserves are identified. The State Agreement has been entered into between the State of Western Australia, Buru and Mitsubishi. Once approved by the Parliament, the State Agreement will govern the exploration of the permits and associated development activities for at least 25 years, subject to certain rights of termination able to be exercised by the State, Buru and Mitsubishi.

The State Agreement provides for each of the permits covered by the agreement to be exempted until 31 January 2024 from the regulatory requirement to periodically relinquish 50% of the area of the permits, subject to meeting the exploration, appraisal and development obligations under the State Agreement. This provides Buru and Mitsubishi with a significant extension to the existing permit terms in which to explore, appraise and develop this highly prospective area. Work programs will be able to be optimised by the flexibility given by the State Agreement to credit gas appraisal work on adjacent permits against ongoing statutory work commitments.

During the term of the State Agreement, Buru and Mitsubishi have committed to the continued exploration, appraisal and, if technically viable, development of the gas resources of the permits with the objective of delivering gas into the Western Australian domestic gas market. The State Agreement is targeting the delivery of at least 1,500PJ of gas into the domestic market over 25 years. Buru and Mitsubishi are required to submit a proposal for the development of a domestic gas project and pipeline by 30 June 2016.

**BURU ENERGY LIMITED**  
**DIRECTORS' REPORT (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

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Under the State Agreement the Department of State Development (“DSD”) takes on a lead agency role, working with the other relevant Government agencies, including the Department of Mines and Petroleum, to facilitate the development of the domestic gas project. DSD’s role under the State Agreement is an important enabler of the development, providing a mechanism for the co-ordinated and efficient management of the various approval processes required for the development of the domestic gas pipeline and project. The State Agreement also provides a framework for the development of a future project to provide gas to an LNG facility in the Pilbara once the domestic gas pipeline and project have been approved.

The permits cover the core of Buru’s most prospective acreage, encompassing the Valhalla and Yulleroo wet gas accumulations and the Ungani oil trend. These areas are expected to be a key focus for Buru and Mitsubishi’s exploration, appraisal and development program over the coming years.

By exempting Buru and Mitsubishi from the relinquishment requirements in respect of these permits, the value created by the extensive exploration and appraisal program in the past three years is preserved. The facilitation role played by DSD will allow the permits to be developed in the most efficient and effective way.

*Extension of Gas Supply Agreement*

During the period Buru and Alcoa of Australia Limited (“Alcoa”) agreed to a further two year extension of the Gas Supply Agreement between Buru and Alcoa (“GSA”) to supply gas to Alcoa’s operations in the southwest of Western Australia. The GSA provides for Buru to deliver up to 500 PJ of gas to Alcoa from discoveries made in the Canning Superbasin. Pursuant to the GSA, Alcoa originally made a \$40 million prepayment for gas to be delivered under the GSA (“Alcoa Prepayment”).

As a result of the extension, Buru now has until 1 January 2015 to identify sufficient gas to commence delivery under the GSA. If, by 1 January 2015, Buru has not made a final investment decision to proceed with a gas development that would supply sufficient gas to meet its initial delivery obligations under the GSA of 400 PJ, Buru will then be obliged to repay the Alcoa Prepayment in three equal annual instalments commencing on 31 December 2015. The third instalment may be satisfied with cash or Buru shares, at Buru’s election. Buru currently holds \$24.8 million in escrow in partial satisfaction of Buru’s potential obligation to repay the Alcoa Prepayment.

Importantly, the extension, combined with the long term tenure and ability to optimise work programs provided by the State Agreement will ensure Buru is able to appraise both the Yulleroo Field and the Valhalla accumulation, and the wider Laurel Formation BCGA, in the most timely and operationally efficient manner. The extension of the GSA is an important part of the Company’s gas commercialisation strategy. Alcoa is a “blue chip” customer able to take as a single off-take the volumes of gas needed to provide the financial security to develop the Great Northern Pipeline and, should commercial gas reserves be proven during the contract term, will facilitate the Company satisfying its commitment to develop a domestic gas project under the State Agreement. Having a “blue chip” customer is also an important step to allow the conversion of contingent gas resources into bankable gas reserves.

*Strengthening of Board and Senior Management Team*

Dr Keiran Wulff joined the Company’s Board with effect from 19 October 2012 as a Non-Executive Director and was appointed Managing Director with effect from 14 January 2013. Dr Wulff holds a PhD. in petroleum geology and has worked in the oil and gas industry for over 25 years. He brings extensive and highly relevant experience to the Company. As Managing Director, Dr Wulff has responsibility for the Company’s day to day operations and for delivery of a forward program to capitalise on the enormous value identified in the Company’s world class asset portfolio. He will in particular be focusing on the near term commercialisation of the Ungani Oilfield and exploration of the Ungani oil trend, and on the continued development of the very significant potential of the Company’s gas resources. He will also be focused on building the Company’s organisational strength, and it is expected that additional senior management appointments will be made to ensure the Company has the internal capability to deliver on its strategic objectives.

**BURU ENERGY LIMITED**  
**DIRECTORS' REPORT (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

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Mr Eric Streitberg continues in the role of Buru's Executive Director and the appointment of Dr Wulff will allow Mr Streitberg to focus on the strategic and technical aspects of the management of the Company's asset portfolio, where he will work closely with Dr Wulff to ensure value is added for shareholders as effectively as possible. Dr Wulff's appointment provides further depth, strength and balance to the Company's dynamic senior leadership team. The development of a well-rounded and first class management team is an important part of Buru's transition into a leading Western Australian oil and gas producer.

During the period Mr Austin Miller also joined the Company's Board as an independent Non-executive Director with effect from 9 November 2012. Mr Miller adds significant corporate oil and gas experience to the Board. He holds degrees in Geology and Law, and has completed an MBA at the University of Melbourne. Mr Miller has worked for over 20 years in the energy sector and more recently his career has focussed on the corporate side of the business including capital markets, M&A and strategy development and implementation.

Buru also announced a significant restructure and strengthening of the Company's senior management team during the period to ensure the Company is effectively resourced for the next stage of growth. To facilitate and manage the Company's growth, and continue to capture future opportunities to add value for shareholders, the Board undertook a systematic review of the senior management structure of the Company to ensure appropriately skilled and experienced staff are in place. The appointments made were Chief Financial Officer, Chris Bath; General Manager Commercial, Bill Williams; General Manager Community and Environment, Damian Ogburn; and General Counsel, Lauren West.

**After Balance Date Events**

No significant events have occurred subsequent to balance date.

**Dividends**

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

**Auditor's Independence Declaration**

The lead auditor's independence declaration for the period is set out on page 11 and forms part of this Directors' Report.

**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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Eric Streitberg  
Executive Director  
Perth  
26 February 2013



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Mr Graham Riley  
Chairman  
Perth  
26 February 2013



***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 2012, 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

Brent Steedman  
*Partner*

Perth

26 February 2013

**BURU ENERGY LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2012**

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<i>in thousands of AUD</i>	Note	31 Dec 2012	30 Jun 2012
<b>Assets</b>			
Cash and cash equivalents		41,602	62,360
Trade and other receivables	8	8,033	5,159
Inventories		5,302	4,646
<b>Total current assets</b>		<b>54,937</b>	<b>72,165</b>
Property, plant and equipment	9	7,649	6,310
Exploration and evaluation expenditure	10	101,339	45,967
Development expenditure		3,184	1,983
Financial Assets	11	29,886	33,655
<b>Total non-current assets</b>		<b>142,058</b>	<b>87,915</b>
<b>Total assets</b>		<b>196,995</b>	<b>160,080</b>
<b>Liabilities</b>			
Trade and other payables		9,772	5,108
Provisions		416	293
<b>Total current liabilities</b>		<b>10,188</b>	<b>5,401</b>
Trade and other payables	12	40,000	40,000
Provisions		7,380	5,141
<b>Total non-current liabilities</b>		<b>47,380</b>	<b>45,141</b>
<b>Total liabilities</b>		<b>57,568</b>	<b>50,542</b>
<b>Net assets</b>		<b>139,427</b>	<b>109,538</b>
<b>Equity</b>			
Share capital		189,125	150,015
Reserves		5,444	10,188
Accumulated losses		(55,142)	(50,665)
<b>Total equity</b>		<b>139,427</b>	<b>109,538</b>

*The notes on pages 17 to 23 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 2012**

<i>in thousands of AUD</i>	Note	31 Dec 2012	31 Dec 2011
Revenue		3,857	1,126
Cost of sales		(3,549)	(1,043)
<b>Gross profit</b>		<b>308</b>	<b>83</b>
Other income	13	906	593
Exploration and evaluation expenditure		-	(422)
Impairment of exploration expenditure	10	(2,282)	(2,795)
Impairment of development expenditure		(593)	(389)
Administrative expenditure	14	(6,829)	(2,977)
Share based payments	16	(1,604)	(2,423)
Joint venture partner's share of technical and administrative expenditure		1,870	1,600
<b>Results from operating activities</b>		<b>(8,224)</b>	<b>(6,730)</b>
Finance income		1,693	1,508
Finance expenses		-	-
<b>Net finance income</b>		<b>1,693</b>	<b>1,508</b>
<b>Loss before income tax</b>		<b>(6,531)</b>	<b>(5,222)</b>
Income tax expense		(1,409)	-
<b>Loss for the period</b>		<b>(7,940)</b>	<b>(5,222)</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit and loss</b>			
Change in fair value of available-for-sale financial assets net of tax		(3,287)	1,806
<b>Other comprehensive income for the period, net of income tax</b>		<b>(3,287)</b>	<b>1,806</b>
<b>Total comprehensive income / (loss) for the period</b>		<b>(11,227)</b>	<b>(3,416)</b>
<b>Basic loss per share (cents)</b>		<b>(3.04)</b>	<b>(2.54)</b>
<b>Diluted loss per share (cents)</b>		<b>(3.04)</b>	<b>(2.54)</b>

*The notes on pages 17 to 23 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 2012**

	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 2011</b>	<b>75,488</b>	<b>(633)</b>	<b>133</b>	<b>2,583</b>	<b>2,188</b>	<b>(47,056)</b>	<b>32,703</b>
<b>Comprehensive income for the period</b>							
Loss for the period	-	-	-	-	-	(5,222)	(5,222)
Net change in fair value of available-for-sale financial assets	-	-	-	-	1,806	-	1,806
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,806</b>	<b>(5,222)</b>	<b>(3,416)</b>
<b>Transactions with owners recorded directly in equity</b>							
Issue of ordinary shares (net of transaction costs)	19,696			-	-	-	19,696
Share based payment transactions	-	124	(26)	2,423	-	-	2,521
Exercise of options	6,072	-	-	(616)	-	616	6,072
<b>Total transaction with owners recorded directly in equity</b>	<b>25,768</b>	<b>124</b>	<b>(26)</b>	<b>1,807</b>	<b>-</b>	<b>616</b>	<b>28,289</b>
<b>Balance as at 31 December 2011</b>	<b>101,256</b>	<b>(509)</b>	<b>107</b>	<b>4,390</b>	<b>3,994</b>	<b>(51,662)</b>	<b>57,576</b>

*The notes on pages 17 to 23 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 2012**

	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 2012</b>	<b>150,015</b>	<b>(509)</b>	<b>107</b>	<b>3,978</b>	<b>6,612</b>	<b>(50,665)</b>	<b>109,538</b>
<b>Comprehensive income for the period</b>							
Loss for the period	-	-	-	-	-	(7,940)	(7,940)
Net change in fair value of available-for-sale financial assets	-	-	-	-	(3,287)	-	(3,287)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,287)</b>	<b>(7,940)</b>	<b>(11,227)</b>
<b>Transactions with owners recorded directly in equity</b>							
Issue of ordinary shares (net of transaction costs)	38,612	-	-	-	-	-	38,612
Share based payment transactions	-	509	(107)	1,604	-	-	2,006
Exercise of options	498	-	-	(3,463)	-	3,463	498
<b>Total transaction with owners recorded directly in equity</b>	<b>39,110</b>	<b>509</b>	<b>(107)</b>	<b>(1,859)</b>	<b>-</b>	<b>3,463</b>	<b>41,116</b>
<b>Balance as at 31 December 2012</b>	<b>189,125</b>	<b>-</b>	<b>-</b>	<b>2,119</b>	<b>3,325</b>	<b>(55,142)</b>	<b>139,427</b>

*The notes on pages 17 to 23 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 2012**

	Note	31 Dec 2012	31 Dec 2011
<i>In thousands of AUD</i>			
<b>Cash flows from operating activities</b>			
Cash receipts from product sales and related debtors		5,377	2,190
Payments to suppliers and employees		(9,091)	(4,395)
<b>Net cash outflow from operating activities</b>		<b>(3,714)</b>	<b>(2,205)</b>
<b>Cash flows from investing activities</b>			
Interest received		1,703	1,932
Payments for purchase of plant and equipment		(1,072)	(1,115)
Payments for exploration and evaluation expenditure		(19,591)	(20,458)
Payments for development expenditure		(662)	(110)
Transfer to long-term cash held in escrow*		(928)	(983)
Acquisition of subsidiary, net of cash acquired	7	(36,000)	-
<b>Net cash outflow from investing activities</b>		<b>(56,550)</b>	<b>(20,734)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		38,612	19,696
Proceeds from exercise of options		498	6,072
Loan pursuant to the employee share acquisition scheme		402	97
<b>Net cash from financing activities</b>		<b>39,512</b>	<b>25,865</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(20,752)</b>	<b>2,926</b>
Cash and cash equivalents at beginning of the period		62,360	26,775
Effect of exchange rate changes on cash and cash equivalents		(6)	31
<b>Cash and cash equivalents at the end of the period</b>		<b>41,602</b>	<b>29,732</b>

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

*The notes on pages 17 to 23 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 2012**

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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, 88 William Street, Perth, Western Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2012 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 Superbasin 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 Corporation 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 30 June 2012. The consolidated financial statements of the Group as at and for the year ended 30 June 2012 are available upon request from the Company’s registered office or at [www.buruenergy.com](http://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 26 February 2013.

**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 2012.

**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 2012.

**5 Segment Information**

The Group has only one reportable business segment being the exploration, evaluation and development of oil and gas resources in the Canning Superbasin in 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 2012.

**BURU ENERGY LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

**7 Acquisition of Subsidiary**

On 4 October 2012, Buru entered into an agreement with NRE Resources Pty Ltd which resulted in Buru acquiring a 90% interest in Canning Superbasin permits EP457 and EP458 through the purchase of 100% of Buru Fitzroy Limited (formerly known as Gujarat NRE Oil Limited).

The total fair value of the consideration provided was \$36 million in cash. There were no non-cash or contingent consideration arrangements or indemnification assets recognised on acquisition. The transaction was accounted for as an asset acquisition and had the following effect on the Group's assets and liabilities on acquisition date:

<i>in thousands of AUD</i>	<b>Pre-acquisition carrying amounts</b>	<b>Fair value adjustments</b>	<b>Recognised values on acquisition</b>
Exploration and evaluation assets	661	35,339	36,000
Net identifiable assets and liabilities	661	35,339	36,000
<hr/>			
Total consideration			36,000
<hr/>			
Consideration paid in cash			36,000
Cash acquired			-
Net cash outflow			36,000

Under a further agreement to the initial Buru Mitsubishi farmin agreement, Buru has agreed to provide Mitsubishi with an option period during which Mitsubishi may acquire half of Buru's interests in these newly-acquired permits and the application area, on the same terms as Buru, subject to all necessary approvals.

**8 Trade and Other Receivables**

<i>in thousands of AUD</i>	<b>Dec 12</b>	<b>Jun 12</b>
	\$	\$
Trade receivables	891	505
Interest receivables	544	541
Joint venture receivables	-	1,870
Prepayments	382	594
GST receivable	2,536	936
Research and development tax concession receivable	3,598	-
Other receivables	82	713
	<hr/>	<hr/>
	8,033	5,159

**9 Property, plant and equipment**

During the six months ended 31 December 2012 the Group acquired assets with a cost of \$1,606,000 (six months ended 31 December 2011: \$1,115,000).

**BURU ENERGY LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

**10 Exploration and Evaluation Expenditure**

<i>in thousands of AUD</i>	<b>Dec 12</b>	<b>Jun 12</b>
	\$	\$
Carrying amount at beginning of the interim period	45,967	18,221
Expenditure incurred and capitalised during the period	25,252	30,574
Exploration assets acquired	36,000	-
Research and development tax concession received during the period	(3,598)	-
Exploration expenditure written off	(2,282)	(2,828)
Carrying amount at the end of the interim period	101,339	45,967

Based on a review of exploration and evaluation expenditure capitalised to each area of interest, \$2,282,000 of exploration and evaluation expenditure has been written off in the current reporting period in relation to areas where no further exploration or evaluation of hydrocarbon resources are budgeted for or planned at this time. All other exploration expenditure has been carried forward. 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.

**11 Financial Assets**

<i>in thousands of AUD</i>	<b>Dec 12</b>	<b>Jun 12</b>
	\$	\$
<b>Non-current financial assets</b>		
Available-for-sale financial assets	5,054	9,751
Long-term cash held in escrow <sup>(i)</sup>	24,803	23,875
Other financial assets	29	29
	29,886	33,655

- (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 12).

**12 Non-current Trade and Other Payables**

<i>in thousands of AUD</i>	<b>Dec 12</b>	<b>Jun 12</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. During the period, Alcoa agreed to a further two year extension of the GSA. Buru will be obliged to repay this \$40 million in three equal annual instalments commencing on 31 December 2015 if, prior to 1 January 2015, 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 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 11).

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.

**BURU ENERGY LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

**13 Other Income**

<i>in thousands of AUD</i>	<b>Dec 12</b>	<b>Dec 11</b>
	<b>\$</b>	<b>\$</b>
Equipment rental	511	109
Fuel tax credits	395	299
Operator administration fee	-	253
Loss on the sale of assets	-	(84)
Other revenue	-	16
	<u>906</u>	<u>593</u>

**14 Administrative Expenditure**

<i>in thousands of AUD</i>	<b>Dec 12</b>	<b>Dec 11</b>
	<b>\$</b>	<b>\$</b>
Wages and salaries	2,776	1,183
Non-executive Directors' fees	153	80
Superannuation	315	197
Contract employment services	339	42
Other associated personnel expenses	618	203
Office and other administration expenses	2,628	1,272
	<u>6,829</u>	<u>2,977</u>

**15 Equity**

	<b>Ordinary Shares</b>	
	<b>1 Jul 12 – 31 Dec 12</b>	<b>1 Jul 11 – 31 Dec 11</b>
	<b>No.</b>	<b>No.</b>
On issue at the beginning of the interim period	251,007,144	182,840,549
Issued under Institutional Placement during the period	14,545,455	27,400,000
Issued under Share Purchase Plan during the period	-	3,722,928
Unlisted options exercised during the period	8,216,955	20,241,000
On issue at the end of the interim period – fully paid	<u>273,769,554</u>	<u>234,204,477</u>

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.

**Treasury Share Reserve**

The reserve for the Treasury Shares comprise the cost of the Company's shares held by the trustee of an equity compensation plan that the Group is required to include in the consolidated financial statements.

**Option Premium Reserve**

The Option Premium reserve represents the contributions from employees towards the Treasury Shares purchased and held by the trustee of an equity based compensation plan.

**Share-based Payments Reserve**

The share-based payments reserve represents the fair value of equity based compensation to the Group's Directors and employees outstanding as of 31 December 2012.

**Financial Asset Revaluation Reserve**

The Financial Asset Revaluation Reserve relates to the revaluation of the Group's available for sale financial assets.

**BURU ENERGY LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

**16 Share-based Payments**

**Description of share-based arrangements**

During the period ended 31 December 2012 the following share-based payments were made:

Fair value expensed in thousands of AUD	<b>1 Jul 12 – 31 Dec 12</b>	<b>1 Jul 11 – 31 Dec 12</b>
Employee share-based payment expense	1,604	2,423
	<u>1,604</u>	<u>2,423</u>

*Employee Options*

The Buru Employee Share Option Plan (“ESOP”) was approved by shareholders at the 2012 Annual General Meeting. During the half-year, the Company granted 1,715,800 options under the ESOP to employees. The fair value of the options granted to employees was calculated at grant date using the Black & Scholes valuation model with no expected dividends. Volatility has been estimated with reference to Buru’s historical share price over comparable time frames. The options vested immediately. The value disclosed is the fair value of the options recognised in the reporting period with the following Black & Scholes inputs:

Number ESOP options granted	Share Price at Grant Date	Exercise Price	Volatility	Expected Dividends	Risk free interest rate	Expiry Date	Fair Value
1,535,800	\$2.98	\$4.04	67%	Nil	2.6%	31 Dec 14	\$0.93
180,000	\$2.87	\$4.13	68%	Nil	2.6%	31 Dec 14	\$0.81
<b>1,715,800</b>							

The following shares have been issued on the conversion of Director and Employee options during the half year:

Number of options converted to ordinary shares	Average Exercise Price	Date of conversion	Closing share price on date of conversion
25,000	\$1.24	27 Jul 12	\$3.11
78,000	\$0.75	10 Oct 12	\$2.92
42,000	\$0.75	16 Oct 12	\$2.95
420,000	\$0.48	16 Oct 12	\$2.95
120,000	\$0.75	16 Oct 12	\$2.95
60,000	\$0.48	23 Oct 12	\$2.84
15,000	\$1.24	26 Nov 12	\$3.04
50,000	\$0.75	14 Dec 12	\$2.50
2,666,332 (1)	\$0.48	14 Dec 12	\$2.50
1,550,162 (1)	\$1.03	14 Dec 12	\$2.50
1,467,167 (1)	\$1.12	14 Dec 12	\$2.50
1,393,393 (1)	\$1.20	14 Dec 12	\$2.50
329,901 (1)	\$1.24	14 Dec 12	\$2.50
<b>8,216,955</b>			

- (1) 7,406,955 shares were issued following the conversion of 11,348,000 unlisted options via the ‘cashless exercise’ mechanism as approved at the Company’s 2012 AGM. On exercise of the options the Company issued the number of shares equal in value to the difference between the market value of the shares and the exercise price otherwise payable in relation to the options.

**BURU ENERGY LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

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

	Weighted average exercise price	Number of options
Outstanding unlisted options as at 30 June 2012	\$0.97	13,730,000
Granted 10 October 2012	\$4.04	1,535,800
Granted 30 November 2012	\$4.13	180,000
Exercised 27 July 2012	\$1.24	(25,000)
Forfeited 20 August 2012	\$1.24	(25,000)
Exercised 10 October 2012	\$0.75	(78,000)
Exercised 16 October 2012	\$0.75	(42,000)
Exercised 16 October 2012	\$0.48	(420,000)
Exercised 16 October 2012	\$0.75	(120,000)
Exercised 23 October 2012	\$0.48	(60,000)
Exercised 26 November 2012	\$1.24	(15,000)
Exercised 14 December 2012	\$0.75	(50,000)
Exercised 14 December 2012	\$0.48	(3,240,000)
Exercised 14 December 2012	\$1.03	(2,500,000)
Exercised 14 December 2012	\$1.12	(2,500,000)
Exercised 14 December 2012	\$1.20	(2,500,000)
Exercised 14 December 2012	\$1.24	(608,000)
Outstanding as at 31 December 2012	<u>\$2.78</u>	<u>3,262,800</u>
Exercisable as at 31 December 2012	<u>\$2.78</u>	<u>3,262,800</u>

The unlisted share options outstanding as at 31 December 2012 have an exercise price in the range of \$1.24 to \$4.13 (2011: \$0.48 to \$1.58), and a weighted average contractual life of 1.9 years (2011: 1.6 years).

**17 Capital and Other Commitments**

*in thousands of AUD*

**Exploration expenditure commitments**

*Contracted but not yet provided for and payable:*

	Dec 12	Jun 12
	\$	\$
Within one year	41,389	20,851
One year later and no later than five years	22,062	24,882
Later than five years	-	-
	<u>63,451</u>	<u>45,733</u>

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. Included in the above are the commitments during the term of the State Agreement, under which Buru and Mitsubishi have committed to the continued exploration, appraisal and, if technically viable, development of the gas resources of the permits with the objective of delivering gas into the Western Australian domestic gas market.

The above commitments also include the expenditure to purchase a 50% interest in the permit to be issued in respect of application area 5/07-8 (Derby Block), from Backreef Oil Limited, for a total cash consideration of \$3.5 million, payable upon grant of the permit. 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.

**18 Events after balance date**

No significant events have occurred subsequent to balance date.

**BURU ENERGY LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2012**

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**19 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 \$2,314,000 (31 December 2011: \$1,006,000) and share based payments valued under AASB 2 at \$919,000 (31 December 2011: \$2,160,000).

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 17 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 2012 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, 26 February 2013



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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 half-year financial report of Buru Energy Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2012, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 19 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.

#### *Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year 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 half-year 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 half-year 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 2012 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 a half-year 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 half-year 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 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Rt SE

Brent Steedman  
*Partner*

Perth

26 February 2013

**BURU ENERGY LIMITED  
CORPORATE DIRECTORY**

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**Directors**

Mr Graham Riley – Chairman  
Mr Eric Streitberg – Executive Director  
Dr Keiran Wulff – Managing Director  
The Hon Peter Jones AM – Non-Executive Director  
Mr Austin Miller – Non-Executive Director

**Joint Company Secretaries**

Mr Tom Streitberg  
Mr Chris Bath

**Registered and Principal Office**

Level 2  
88 William Street  
PERTH WA 6000

Telephone: +61 (08) 9215 1800  
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**Share Registry**

Link Market Services Limited  
Locked Bag A14  
SYDNEY SOUTH NSW 1235

Telephone: 1800 810 859 (Toll Free within Australia)  
+61 (02) 8280 7211  
Facsimile: +61 (02) 9287 0303  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
Website: [www.linkmarketservices.com.au](http://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: Listed ordinary shares