

## **ASX ANNOUNCEMENT (ASX: BRU)      8 March 2012**

### **Half Year Report - 31 December 2011**

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Please find attached Buru Energy Limited's ("**Buru**" or "**Company**") Half Year Report for the period ending 31 December 2011.

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".

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



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

**Interim Financial Report**  
**For the period ended 31 December 2011**

**BURU ENERGY LIMITED**  
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**BURU ENERGY LIMITED  
DIRECTORS' REPORT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

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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 2011 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 AM

***Joint Company Secretaries***

Mr Tom Streitberg  
Mr Shane McDermott (Appointed 1 December 2011)

**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 2011 were the busiest in Buru's history. The key features of Buru's operations during the period were:

- the drilling of the Valhalla-2, Pictor East-1, Lawford-1 and Ungani-1/1ST1 exploration wells;
- the drilling of the Ungani-2 appraisal well;
- the completion of the Yulleroo 3D seismic survey and the Commodore and Athos 2D seismic surveys;
- successfully raising a total of \$20.2 million by way of a placement to institutional investors and a share purchase plan for existing shareholders;
- the acquisition of two additional petroleum exploration permits in the Canning Superbasin;
- Mitsubishi Corporation's ("MC") commitment to fund \$40 million of the first \$50 million to be spent by the joint venture on the exploration for unconventional resources during 2012; and
- the extension of the Alcoa Gas Supply Agreement.

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 64 barrels of oil per day ("bopd") for the period. This is an increase from the approximately 46 bopd recorded in the twelve months ended 30 June 2011 as a result of a flush period of production from key wells following the completion of the workover program conducted in the June 2011 quarter. The Blina and Sundown oil fields were cash flow positive for the period with a net operating cash inflow of \$393,310. It is expected that the fields will generate positive net cash flow for the full financial year ending 30 June 2012. The Company continues to assess possible options to improve production levels from the fields.

**BURU ENERGY LIMITED**  
**DIRECTORS' REPORT (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

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*Drilling*

During the period Buru completed the drilling of the Valhalla-2, Pictor East-1, Lawford-1 and Ungani-1/1ST1 exploration wells and the Ungani-2 appraisal well.

- **Valhalla-2** was the first well to be drilled in the 2011 Exploration Program and was drilled by Ensign Rig #32. The well is located in exploration permit EP 371. Buru and MC each have a 50% interest in EP 371. Valhalla-2 completed drilling in July 2011. During drilling, gas influxes were continuously encountered in the Laurel section from approximately 2,300m to a total depth of 3,390m, resulting in a number of drilling interruptions while the gas was flared. The well confirmed that the Valhalla structure contains a number of tight, and possibly conventional, gas reservoirs across at least a 1,300m section of gas charged Laurel Formation. A possible new conventional play type has also been identified in the Laurel Carbonates with a number of potentially productive conventional reservoir zones being interpreted. In addition, extensive gas charged tight sand zones have been identified in the Upper and Lower Laurel. These sections have been comprehensively sampled with rotary side wall cores and specialised logging suites to allow further detailed, specialised analysis of the potential of the Laurel Formation for unconventional gas and liquids. Analysis of the data in the Valhalla-2 well, other historic wells in the area and the results of the Valhalla North-1 well confirm the existence of a large tight gas accumulation in the greater Valhalla area. This potential is being further tested in 2012 with the deepening of the Paradise-1 well.
- **Pictor East-1** was the second well to be drilled in the 2011 Exploration Program and was drilled by Century Rig #7. The well is located in exploration permit EP 431. Buru and MC each have a 50% interest in EP 431. The Pictor East-1 well was drilled to follow up the oil and gas accumulations identified by the Pictor-1 and 2 wells in the Nita Formation and to also test the deeper Acacia Sandstone Formation. Pictor East-1 completed drilling on 2 September 2011 and a significant hydrocarbon column of over 65 metres has been interpreted to be present in the Nita Formation, with a net porous section of over 7 metres. Sidewall cores and pressurised hydrocarbon samples were obtained during drilling and these are currently being analysed to determine the hydrocarbon composition (gas, oil or a combination). The results of this well are in line with pre-drill estimates, and are considered to be very encouraging.
- **Ungani-1 / Ungani-1ST1** was the third well in the 2011 Exploration Program and was drilled by Ensign Rig #32. The Ungani-1 well was sidetracked (Ungani-1ST1) after drilling problems were encountered to allow a full evaluation of the hydrocarbon indications observed in the Ungani-1 well. The wells are located in exploration permit EP 391. Buru and Mitsubishi each have a 50% interest in EP 391. The Ungani-1ST1 well was drilled to a measured depth of 2,324m. A cleanup flow was then undertaken to determine the flow potential of the reservoir and the composition of the reservoir fluids. The well was swabbed initially with natural flow being quickly established. The well was then flowed at varying choke sizes with a peak rate of 1,647 barrels of fluid per day on a ½ inch choke with a flowing well head pressure of 18 psi. Prior to shutting in, the well was continuing to clean up, with up to 15% filtrate, formation fluid and lost circulation material noted in the well stream and no significant gas observed. The well had a shut-in well head pressure of some 430 psi. Further analysis of the oil recovered from the Ungani-1ST1 well test was conducted during the period which confirmed that the Ungani crude is a light sweet crude with an API gravity of 37 degrees and a pour point of -7 degrees Celsius.
- **Ungani-2** was the fourth well in the 2011 Exploration Program and was drilled by Rig #32. The well was drilled as a deviated well from the Ungani-1ST1 well pad to a target bottom hole location some 500 metres from Ungani-1ST1. Buru and MC each have a 50% interest in EP 391. The Ungani-2 well was drilled as an appraisal of the Ungani discovery and intersected the top of the reservoir some 425 metres to the northeast of the Ungani-1ST1 reservoir intersection and some 32 metres high to prognosis. An extensive evaluation program was undertaken including a comprehensive wireline logging and pressure testing program. This established a definitive oil/free water contact which gives an oil column in the Ungani-1ST1 well of 56 metres and in the Ungani-2 well of 53 metres, both in an extremely well developed vugular dolomite reservoir. In both wells the dolomite reservoir with oil shows is considerably thicker than the oil column, with some 137 metres of dolomite reservoir developed in Ungani-2. This thickness of high quality reservoir is very encouraging for the potential for increasing the amount of oil that may be present at higher elevations on the structure. An initial cleanup flow of the Ungani-2 well was undertaken prior to the rig being released, with flow

**BURU ENERGY LIMITED**  
**DIRECTORS' REPORT (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

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rates of up to 1,026 barrels of fluid per day with up to 55% oil cut, on a 48/64 inch choke being achieved. The shut-in surface pressure at the end of the test was approximately 190 psi. Although the well was still continuing to clean up at the end of the flow period, a strong natural flow had been established and sufficient data had been generated for forward planning purposes. Analysis of the data acquired from the Ungani wells, including data acquired from the planned extended production test, are required to determine the reserves potential of the Ungani Field. However, the results of the Ungani-1ST1 and Ungani-2 wells to date have confirmed the presence of a very significant oil column with high flow potential from an excellent reservoir. These factors all point to significant reserves potential in the Ungani Field. Quantification of this potential requires significant further technical work based on additional data to be collected from the extended production test, additional appraisal drilling and the acquisition of 3D seismic which will form the basis of an independent reserves determination of the Field. At this time, under reasonable interpretations of the existing data, and the results of the two wells to date, an overall upside potential from the Ungani structure in the order of 20 million barrels of recoverable oil is considered to be reasonable.

- **Lawford-1** was the second well to be drilled by Century Rig #7 in 2011. The Lawford-1 well is located in exploration permit EP 417. Buru has a 35% non-operating interest in EP 417. New Standard Onshore Pty Ltd (a wholly owned subsidiary of New Standard Energy Ltd) is operator of EP 417 and has the remaining 65% interest. Buru acted as operator for the deepening of the well for the EP 417 joint venture under a delegation agreement with New Standard. Green Rock Energy Limited has a right to earn up to a 20% interest from New Standard's interest. Lawford-1 was originally drilled by New Standard in 2008 but the well was suspended at 1,323m, above the Laurel Formation objective, due to weather issues. In 2011 the well was deepened to a depth of 2,690 metres to test the regional Laurel Formation unconventional potential, however no distinct geological or geophysical markers were encountered and the depth to the top of the Laurel Formation could not be estimated with any certainty. The well was logged and, as no indications of hydrocarbons were observed, it was plugged and abandoned.
- **Valhalla North-1** was drilled subsequent to the end of the period. Valhalla North-1 is the fifth well in the Buru – MC Joint Exploration Program in the Canning Superbasin that commenced in June 2011 and the first well in the 2012 Exploration Program. The well is located in EP 371 and was drilled by Ensign Rig #32. Buru and MC each have a 50% interest in the well and in EP 371, with MC contributing 80% of the cost of the well under the terms of its farm-in agreement with Buru. Valhalla North-1 was drilled “off structure” from the Valhalla-2 well and confirmed that the gas observed during the drilling of Valhalla-2 forms part of a basin centred wet gas accumulation with the potential to hold multiple TCFs of gas and tens of millions of barrels of associated liquids. The gas shows in the Valhalla North-1 well are consistent with those observed in Valhalla-2, and extend over a similar interval of some 1,300 metres to the total depth of the well at 3,356 metres. A full suite of logs has been run to fully evaluate this formation.

#### *Seismic*

During the period Buru completed the Yulleroo 3D seismic survey and the Athos and Commodore 2D seismic surveys covering some 467 line kilometres in the Yulleroo and Acacia exploration provinces.

- **Yulleroo 3D Seismic Survey** – The Yulleroo 3D seismic survey consisted of the acquisition of 185 square kilometres of new 3D seismic over the Yulleroo wet gas field. It was designed to define the detailed structural configuration of the Yulleroo structure. This will assist in both siting future appraisal wells, and quantifying the total rock volumes in the accumulation.
- **Athos and Commodore 2D Seismic Surveys** – Acquisition of the Athos 2D seismic survey commenced on 25 August 2011 and was completed on 15 September 2011. A total of 15 lines for a total of 299 km of 2D seismic was acquired. The Athos 2D seismic survey was designed to mature multiple leads in the Broome Platform for potential drilling in the 2012 Exploration Program and to provide additional regional coverage.

Acquisition of the Commodore 2D seismic survey was also completed during the period. Acquisition commenced on 18 September 2011 and was completed on 28 September 2011. A total of 8 lines for a total of 168 km of 2D seismic was acquired. The purpose of the survey was to mature multiple leads in the Admiral Bay area for potential drilling in the 2012 Exploration Program and to provide additional regional coverage. Initial reviews of the data indicate that the data quality is good to excellent. Processing is underway and the new data is being incorporated into the planning for the 2012 Exploration Program as it becomes available.

**BURU ENERGY LIMITED**  
**DIRECTORS' REPORT (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

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*Airborne Gravity and Magnetic Aerial Survey*

The Company acquired a large airborne gravity and magnetic survey over the Ungani Field and surrounding areas in December 2011 to assist in the determination of the size of the Ungani structure and to help define other prospects in the area. Interpretation of this survey will assist in placement of both the planned 3D seismic survey over the Ungani structure, and also in locating 2D seismic surveys over the adjacent prospects. Interpretation of the data from this survey, together with a technical review of the prospectivity of the area in light of the Ungani results should be finalised by the end of the first quarter of 2012.

*Corporate*

*Capital Raising*

In September 2011 the Company successfully raised a total of \$20.2 million (before fees) through the placement of new shares to institutional investors ("Placement") and a share purchase plan ("SPP") for existing shareholders. Under the Placement, 27.4 million new shares were issued to two new substantial institutional investors, representing 15% of the Company's issued capital. The Placement was fully underwritten by J.P. Morgan Australia Limited who was also the Sole Lead Manager. The Company also provided its existing shareholders with an opportunity to gain further exposure to Buru through the SPP, allowing shareholders to purchase shares at the same price as the Placement. The SPP closed on 26 September 2011 raising a total of \$2.4 million.

*New Exploration Permits*

During the period the Company was notified by the DMP that it was the preferred applicant for two additional petroleum exploration permits in the Canning Superbasin, L10-7 and L10-8. The permits provide additional exposure to the exploration trends identified in the Paradise-Valhalla area to the north in EP 371, including the shallow oil plays seen in the Paradise and Valhalla wells, and the Valhalla regional wet gas accumulation, together with a number of other exploration plays that have been developed by Buru. Although little systematic exploration has previously been carried out in the area of these new permits, Buru's review of the existing data has identified a number of focus areas which will be the subject of early exploration once the permits are formally granted.

Subsequent to the end of the period the Company was notified by the DMP that it was successful in the recent acreage bid round in the Canning Superbasin, and has been offered a further two new permits. These permits cover areas with very significant prospectivity and extend the Company's acreage position over the proven Ungani oil play and the Valhalla wet gas play as well as over the Goldwyer Shale where it is interpreted to lie in the oil window. L11-2 lies immediately adjacent to the south and west of Buru's recent Ungani oil discovery, and provides additional exposure to this exciting new oil play, as well as containing a significant additional area of prospectivity for the Goldwyer Shale where it is interpreted to lie in the oil window. L11-1 contains a potentially important extension of the Valhalla regional wet gas accumulation which has been recently confirmed and enhanced by the Valhalla North-1 well, together with a number of other exploration plays that have been developed by Buru.

These four new permits will provide a very important addition to Buru's portfolio, bringing its net equity acreage position in the Canning Superbasin to a total of some 57,830 sq km or over 14 million acres.

The offer of the four new permits by the DMP to Buru as a preferred applicant was the outcome of strongly competitive bid processes. Collectively, these new permits confirm and enhance the Company's dominant acreage position in the most prospective parts of the Canning Superbasin. Final award of all of these permits is subject to completion of negotiations with Traditional Owners under the *Native Title Act 1993 (Cth)*.

**BURU ENERGY LIMITED**  
**DIRECTORS' REPORT (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

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*Extension of Alcoa Gas Supply Agreement*

During the period Alcoa extended the Gas Supply Agreement ("GSA") between Buru and Alcoa by one year. 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 made a \$40 million prepayment to Buru's predecessor, ARC Energy Ltd, for gas to be delivered under the GSA ("Alcoa Prepayment"). As a result of the extension, Buru now has until 1 January 2013 to identify sufficient gas to commence delivery under the GSA. If, prior to 1 January 2013, Buru has not made a final investment decision to proceed with a gas development that would supply sufficient gas to meet its delivery obligations under the GSA, Buru will then be obliged to repay the Alcoa Prepayment in three equal annual instalments commencing on 31 December 2013. The third instalment may be satisfied with cash or Buru shares, at Buru's election. Buru currently holds \$23.55 million in escrow in partial satisfaction of Buru's potential obligation to repay the Alcoa Prepayment. Importantly, this extension will ensure Buru is able to appraise both the Yulleroo Field and the Valhalla wet gas accumulation during the contract term, and will also allow consideration of any other gas resources discovered during Buru's continuing drilling program as additional sources of supply for the GSA. The extension of the GSA is an important part of the Company's gas commercialisation strategy. Alcoa is one of the few customers in Western Australia able to take as a single off-take the volumes of gas needed to provide the financial security to develop the Great Northern Pipeline.

*Planning for the 2012 Exploration Program*

During the period the joint venture commenced planning for the 2012 Appraisal and Exploration Program. This program will include the systematic appraisal of the Yulleroo Field, the Valhalla accumulation and the Ungani Field.

Exploration in 2012 will be focussed on identifying new conventional and unconventional hydrocarbon resources to form the basis of further appraisal in 2013 and deliver additional reserves for commercialisation in 2014 and beyond. The conventional exploration program will include significant conventional oil prospects in the Acacia province. The unconventional program will seek to test and develop at least one of the three additional major unconventional play types on Buru's permits, together with further delineating the extent of the Laurel Formation unconventional wet gas play.

An extensive ongoing program of seismic acquisition and desktop technical analysis designed to continue to identify new play types, prospects and leads will complement these drilling programs. The Company is well advanced in its formal tender process for contractors and equipment required for the 2012 Appraisal and Exploration Program. In particular, both Rig #32 and Rig #7 have been secured for the 2012 drilling program.

**After Balance Date Events**

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 9.

**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.

**BURU ENERGY LIMITED  
DIRECTORS' REPORT (CONT'D)  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

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



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Mr Eric Streitberg  
Executive Director  
Perth  
8 March 2012



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Mr Graham Riley  
Chairman  
Perth  
8 March 2012



***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 2011 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.

*Kpmc*

KPMG

A handwritten signature in black ink, appearing to be 'Brent Steedman', written over a horizontal line.

Brent Steedman  
*Partner*

Perth, WA

8 March 2012

**BURU ENERGY LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

<i>in thousands of AUD</i>	Note	31 Dec 2011	30 Jun 2011
<b>Assets</b>			
Cash and cash equivalents		29,732	26,775
Trade and other receivables		3,073	3,223
Inventories		4,847	4,493
<b>Total current assets</b>		<b>37,652</b>	<b>34,491</b>
Property, plant and equipment	9	4,500	3,337
Exploration and evaluation expenditure	7	34,713	18,221
Development expenditure		-	327
Other investments	8	28,818	26,029
<b>Total non-current assets</b>		<b>68,031</b>	<b>47,914</b>
<b>Total assets</b>		<b>105,683</b>	<b>82,405</b>
<b>Liabilities</b>			
Trade and other payables		2,766	4,406
Provisions		217	185
<b>Total current liabilities</b>		<b>2,983</b>	<b>4,591</b>
Trade and other payables	10	40,000	40,000
Provisions		5,124	5,111
<b>Total non-current liabilities</b>		<b>45,124</b>	<b>45,111</b>
<b>Total liabilities</b>		<b>48,107</b>	<b>49,702</b>
<b>Net assets</b>		<b>57,576</b>	<b>32,703</b>
<b>Equity</b>			
Share capital		101,256	75,488
Reserves		7,982	4,271
Accumulated losses		(51,662)	(47,056)
<b>Total equity</b>		<b>57,576</b>	<b>32,703</b>

*The notes on pages 15 to 19 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 2011**

<i>in thousands of AUD</i>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Revenue	1,126	716
Cost of sales	(1,043)	(807)
<b>Gross profit</b>	<b>83</b>	<b>(91)</b>
Other income	593	627
Exploration and evaluation expenditure	(422)	(773)
Impairment of exploration expenditure	(2,795)	-
Impairment of development expenditure	(389)	-
Administrative personnel expenses	(1,704)	(1,452)
Share based payments	(2,423)	(620)
Office and other administration expenses	(1,273)	(1,131)
Joint venture partner's share of technical and administrative expenditure	1,600	2,500
<b>Results from operating activities</b>	<b>(6,730)</b>	<b>(940)</b>
Finance income	1,508	1,136
Finance expenses	-	(2)
<b>Net finance income</b>	<b>1,508</b>	<b>1,134</b>
<b>Profit / (loss) before income tax</b>	<b>(5,222)</b>	<b>194</b>
Income tax benefit	-	-
<b>Profit / (loss) for the period</b>	<b>(5,222)</b>	<b>194</b>
<b>Other comprehensive income</b>		
Change in fair value of available-for-sale financial assets net of tax	1,806	121
<b>Other comprehensive income for the period, net of income tax</b>	<b>1,806</b>	<b>121</b>
<b>Total comprehensive income / (loss) for the period</b>	<b>(3,416)</b>	<b>315</b>
<b>Basic earnings / (loss) per share (cents)</b>	<b>(2.54)</b>	<b>0.11</b>
<b>Diluted earnings / (loss) per share (cents)</b>	<b>(2.54)</b>	<b>0.09</b>

*The notes on pages 15 to 19 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>							
Profit 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 15 to 19 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 2011**

	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>							
Profit 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>

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**BURU ENERGY LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
<i>In thousands of AUD</i>		
<b>Cash flows from operating activities</b>		
Cash receipts from product sales and related debtors	2,190	1,137
Payments to suppliers and employees	(4,395)	(3,149)
<b>Net cash outflow from operating activities</b>	<b>(2,205)</b>	<b>(2,012)</b>
<b>Cash flows from investing activities</b>		
Interest received	1,932	1,513
Payments for purchase of plant and equipment	(1,115)	(439)
Payments for exploration and evaluation expenditure	(20,458)	(7,415)
Payments for development expenditure	(110)	(53)
Transfer to long-term cash held in escrow*	(983)	(304)
Payments for available-for-sale financial assets	-	(624)
<b>Net cash outflow from investing activities</b>	<b>(20,734)</b>	<b>(7,322)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of share capital	19,696	10
Proceeds from exercise of options	6,072	-
Loan pursuant to the employee share acquisition scheme	97	-
<b>Net cash from financing activities</b>	<b>25,865</b>	<b>10</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>2,926</b>	<b>(9,324)</b>
Cash and cash equivalents at beginning of the period	26,775	40,704
Effect of exchange rate changes on cash and cash equivalents	31	(453)
<b>Cash and cash equivalents at the end of the period</b>	<b>29,732</b>	<b>30,927</b>

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

*The notes on pages 15 to 19 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 2011**

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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 2011 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 2011 are available upon request from the Company’s registered office or at [www.buruenergy.com](http://www.buruenergy.com).

**2 Basis of Preparation**

**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 2011. 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 8 March 2012.

**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 2011.

**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 2011.

**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 2011.

**BURU ENERGY LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

**7. Exploration and Evaluation Expenditure**

<i>in thousands of AUD</i>	<b>Dec 11</b>	<b>Jun 11</b>
	\$	\$
Carrying amount at beginning of the interim period	18,221	18,434
Expenditure incurred and capitalised during the period	19,287	10,758
Exploration expenditure written off	(2,795)	(10,971)
Carrying amount at the end of the interim period	34,713	18,221

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 11</b>	<b>Jun 11</b>
	\$	\$
<b>Non-current financial assets</b>		
Available-for-sale financial assets	5,237	3,431
Long-term cash held in escrow <sup>(i)</sup>	23,552	22,569
Other available-for-sale-financial assets	29	29
	28,818	26,029

(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 2011 the Group acquired assets with a cost of \$1,115,000 (six months ended 31 December 2010: \$542,000).

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

<i>in thousands of AUD</i>	<b>Dec 11</b>	<b>Jun 11</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 extended the GSA by one year. Buru will be obliged to repay this \$40 million in three equal annual instalments commencing on 31 December 2013 if, prior to 1 January 2013, 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 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.

**BURU ENERGY LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

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**11. Equity**

	<b>Ordinary Shares</b>	
	<b>1 Jul 11 – 31 Dec 11</b>	<b>1 Jul 10 – 31 Dec 10</b>
	<b>No.</b>	<b>No.</b>
On issue at the beginning of the interim period	182,840,549	182,769,813
Issued under Institutional Placement during the period	27,400,000	-
Issued under Share Purchase Plan during the period	3,722,928	-
Unlisted options exercised during the period	20,241,000	-
Listed options exercised during the period	-	10,736
On issue at the end of the interim period – fully paid	234,204,477	182,780,549

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 2011.

**Financial Asset Revaluation Reserve**

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

**12. Share-based Payments**

**Description of share-based arrangements**

During the period ended 31 December 2011 the following share-based payments were made:

	<b>1 Jul 11 – 31 Dec 11</b>	<b>1 Jul 10 – 31 Dec 10</b>
Fair value expensed in thousands of AUD		
Employee Share Acquisition Scheme	-	29
Employee Share Option Plan	2,423	591
	2,423	620

**BURU ENERGY LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

*Employee Options*

The Buru Employee Share Option Plan (“ESOP”) was approved by shareholders at the 2010 Annual General Meeting. During the half-year, the Company granted 9,536,000 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:

<b>Number ESOP options granted</b>	<b>VWAP Share Price</b>	<b>Exercise Price</b>	<b>Volatility</b>	<b>Risk free interest rate</b>	<b>Expiry Date</b>
1,986,000	\$0.83	\$1.24	68%	3.6%	31 Dec 13
2,500,000	\$0.83	\$1.03	74%	3.7%	30 Apr 13
2,500,000	\$0.83	\$1.12	70%	3.6%	31 Oct 13
2,500,000	\$0.83	\$1.20	67%	3.7%	30 Apr 14
50,000	\$1.06	\$1.58	69%	3.3%	31 Dec 13
<b>9,536,000</b>					

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

<b>Key Management Person</b>	<b>Average Exercise Price</b>	<b>Date of conversion</b>	<b>Closing share price on date of conversion</b>	<b>Number of options converted to ordinary shares</b>
Mr Peter Edwards	\$0.30	25 Nov 11	\$1.17	379,000
Mr Tony Rudge	\$0.30	25 Nov 11	\$1.17	204,000
Non KMP employees	\$0.30	25 Nov 11	\$1.17	79,000
Mr Graham Riley	\$0.30	21 Dec 11	\$1.22	1,000,000
Mr Eric Streitberg	\$0.30	21 Dec 11	\$1.22	16,900,000
Mr Tom Streitberg	\$0.30	21 Dec 11	\$1.22	1,600,000
Non KMP employees	\$0.30	21 Dec 11	\$1.22	79,000
				<b>20,241,000</b>

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

	<b>Weighted average exercise price</b>	<b>Number of options</b>
Outstanding unlisted options as at 30 June 2011	\$0.33	24,251,000
Granted 21 October 2011	\$1.24	1,986,000
Granted 21 October 2011	\$1.03	2,500,000
Granted 21 October 2011	\$1.12	2,500,000
Granted 21 October 2011	\$1.20	2,500,000
Exercised 25 November 2011	\$0.30	(662,000)
Exercised 21 December 2011	\$0.30	(19,579,000)
Granted 5 December 2011	\$1.58	50,000
Outstanding as at 31 December 2011	\$0.95	13,546,000
Exercisable as at 31 December 2011	\$0.95	13,546,000

The unlisted share options outstanding as at 31 Dec 2011 have an exercise price in the range of \$0.48 to \$1.58 (2010: \$0.30 to \$0.75), and a weighted average contractual life of 1.6 years (2010: 1.2 years).

**BURU ENERGY LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

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**13 Capital and Other Commitments**

*in thousands of AUD*

**Exploration expenditure commitments**

*Contracted but not yet provided for and payable:*

	<b>Dec 11</b>	<b>Jun 11</b>
	\$	\$
Within one year	13,596	9,701
One year later and no later than five years	26,351	32,453
Later than five years	4,075	8,125
	44,022	50,279

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.

**14. Events after balance date**

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

**15. 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 \$1,006,000 (31 December 2010: \$910,000) and share based payments valued under AASB 2 at \$2,160,000 (31 December 2010: \$529,000).

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

**16. Petroleum Resource Rent Tax ("PRRT")**

The legislation giving effect to the proposed extension to the PRRT was passed by the House of Representatives in November 2011. It has now been referred to a Senate legislative committee where it will be subject to further review in March 2012. Accounting standards require legislation to be "substantively enacted" before the changes can be given accounting recognition. Given the referral to the Senate committee, this criteria was not satisfied at 31 December 2011 and is not expected to be satisfied until (at least) the committee has made its recommendations. Given this, the Company's interim financial statements do not reflect the potential impact of this legislation.

**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 15 to 19, 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 2011 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, 8 March 2012



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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**

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 2011, 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 16 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 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 internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

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 2011 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Buru Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### *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 2011 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

Brent Steedman  
*Partner*

Perth

8 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 AM – Non-Executive Director

**Joint Company Secretaries**

Mr Tom Streitberg  
Mr Shane McDermott

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PERTH WA 6000

**Bankers**

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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