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ASX ANNOUNCEMENT (ASX: BRU)
15 September 2009

Annual Report 2009

Buru Energy Limited is pleased to present its Annual Report for 2009.

The report will be available on the company website at: www.buruenergy.com.

For inquiries please contact:

Adrian Cook	**Managing Director**
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Yours faithfully,

ADRIAN COOK
Managing Director

2009 Annual Report

For the period 16 April 2008 to 30 June 2009

Buru Energy Limited

ABN 71 130 651 437

Contents

Corporate Directory

Directors
Mr Adrian Cook – Managing Director
Mr Graham Riley – Chairman
Mr Eric Streitberg – Non-Executive Director
Mr Tom Streitberg – Alternate Director

Company Secretary
Mr Adrian Di Carlo

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Auditors
KPMG
235 St George's Terrace
PERTH WA 6000

Bankers
Commonwealth Bank of Australia
1230 Hay Street
WEST PERTH WA 6005

Solicitors
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Level 10
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152 St Georges Terrace
PERTH WA 6000

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

ASX Code
BRU: Listed ordinary shares
BRUO: Listed options over ordinary shares

I am pleased to present Buru Energy Limited's inaugural Annual Report for the period 16 April 2008 to 30 June 2009.

Buru was incorporated on 16 April 2008 to assume control of and develop ARC Energy Limited's ("ARC") Canning Basin exploration and production assets and liabilities, including cash of $85 million. These assets and liabilities were transferred to Buru as part of the merger of ARC and Australian Worldwide Exploration Limited, which occurred on 25 August 2008. The Company's ordinary shares and options were then subsequently listed on the Australian Stock Exchange on 1 September 2008 and 10 October 2008 respectively.

The Company's strategy upon listing was therefore to apply its financial resources to exploring for oil and gas in the Canning Basin in the north-west of Western Australia, where Buru is the major holder of exploration acreage. The impact of the global financial crisis in late 2008 and 2009 resulted in the Board taking a prudent decision to defer exploration drilling and focus on high grading the Company's exploration acreage, which entailed acquiring additional seismic data, and relinquishing low grade acreage and associated financial commitments.

During the period the Board also extended its focus to investment opportunities in oil and gas assets outside the Canning Basin, subject to any opportunities providing Buru shareholders with an improved risk / reward profile. To date no opportunities have warranted the re-allocation of the Company's capital, and whilst Buru continues to monitor relevant opportunities, we expect to concentrate on our current Canning Basin exploration strategy in the short term.

On 20 April 2009 Buru announced that it had received a proposal from Arenite Pty Ltd ("Arenite") to acquire all the shares and options in the Company. Arenite was a company associated with Buru's director, Mr Eric Streitberg, and the offer was for 25 cents per ordinary share and 2.5 cents per option, to be paid in cash to be drawn from Buru's reserves. The Board believed that shareholders and optionholders should be given the opportunity of considering the proposal, given the Company's share and option price were considerably below the offer price at the time and having regard to the uncertain global financial circumstances that then existed. Ultimately a condition precedent in relation to the Merger and Implementation Agreement was unable to be satisfied, and Arenite provided Buru with a notice of termination on 16 June 2009.

Throughout the year Buru's technical and operational activities continued relatively uninterrupted. As a result, Buru is currently conducting an extensive 3D seismic program in the Lennard Shelf oil province of the Canning Basin. We currently expect to have the first series of analysis from the 3D data available in early 2010. This will be the first time anyone has had access to 3D seismic data in the Canning Basin, and it is expected to provide substantially greater clarity on critical geological structures over Buru's existing producing oil fields in the Sundown area, to the north-west of the Blina oil fields.

Buru is currently proposing to drill two exploration wells on the 3D data in 2010 with the objective of discovering additional oil reserves that are able to utilise the existing field facilities. This will enable the Company to move to development in relatively short order. Buru is also currently working on plans to drill additional exploration wells in 2010, (details of which will be provided by the Company as they are finalised) and we are looking forward to conducting successful exploration in the Canning Basin in the years to come.

On behalf of the Board I would also like to take this opportunity to thank our staff, contractors and stakeholders for their continuing efforts and support.

GRAHAM RILEY
Chairman

The Directors present their report together with the financial report of Buru Energy Limited ("Buru" or the "Company") and of the Group, being the Company and its subsidiaries, and the Group's interest in jointly controlled entities for the financial reporting period from 16 April 2008 to 30 June 2009 and the auditor's 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. All Directors were appointed at incorporation on 16 April 2008 and continue in office at the date of this report unless stated otherwise.

Mr Adrian Cook, Mr Eric Streitberg and Mr Graham Riley

Mr Adrian Cook - Managing Director

Mr Adrian Cook, B Bus, CA, MAppFin, has over 20 years experience in finance and commercial management, primarily in the resources industry, including over 8 years in petroleum industry exploration, field development and production company management. He is an experienced corporate manager with a strong understanding of the obligations and operations of the Board of Directors, investors and ASX relations, funding and corporate governance management.

Mr Graham Riley - Non-Executive Chairman - Appointed 27 May 2008

Mr Graham Riley, B.Jurr LLB, is a qualified legal practitioner having gained his Bachelor of Law and Bachelor of Jurisprudence Degrees. After 10 years legal practice as a partner of a commercial firm in Perth, he resigned to pursue private interests in the resources and exploration sector. Graham has been responsible for the foundation and growth of a number of petroleum and mining companies and is currently Chairman of Giralia Resources NL and a Non-Executive Director of Adelphi Energy Limited. He was a Non-Executive Director of ARC Energy Limited from 1993 to 2005 and was Chairman of Red Hill Iron Limited from 2005 to 2008.

Mr Eric Streitberg - Non-Executive Director

Mr Eric Streitberg, BSc (App Geoph), has over 30 years experience in petroleum geology and geophysics, petroleum exploration and production company management. He held the position of Managing Director of ARC Energy Limited from 1997 until August 2008 during which time ARC Energy Limited was transformed from a junior oil and gas exploration company, into a mid size Australian oil and gas producer. He is a Fellow of the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors, a member of the Society of Exploration Geophysicists, Petroleum Exploration Society of Australia and the American Association of Petroleum Geologists. He is currently Chairman of the Australian Petroleum Production and Exploration Association and the Marine Parks & Reserve Authority of Western Australia. He is also a Non-Executive Director of Adelphi Energy Limited. Mr Eric Streitberg was Chairman of the Company from incorporation to 31 March 2009, at which point Mr Graham Riley was appointed as Chairman.

Ms Kirsten Cadle - Non-Executive Director - Resigned 27 May 2008

Ms Kirsten Cadle was a Non-Executive Director from incorporation of the Company until the 27th of May 2008 whilst the Company was a 100% subsidiary of ARC Energy Limited.

Mr Tom Streitberg - Alternative Director for Mr Eric Streitberg - Appointed between 5 August 2009 and 26 September 2009

Mr Tom Streitberg, BA, LLB, FFin has a legal and corporate finance background, having previously worked in the Sydney offices of both a major Australian law firm and an international investment bank providing advice on mergers and acquisitions and capital raisings. Since 2004 he has been a consultant to the Australian oil and gas sector, providing corporate and commercial advice to listed companies.

Company Secretary

Mr Adrian Di Carlo was appointed to the position of Company Secretary on the 16th of October 2008. Adrian has over 15 years experience in commercial and accounting roles. Ms Kirsten Cadle was the Company Secretary from incorporation on the 16th of April 2008 to the 16th of October 2008.

Principal Activities

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

Review of Operations

Background and Business Overview

Buru was incorporated on 16 April 2008 as a public company limited by shares and its ordinary shares were listed on the Australian Stock Exchange on 1 September 2008. Buru's assets and liabilities were transferred from ARC Energy Limited to Buru immediately prior to the merger between Australian Worldwide Exploration Ltd and ARC Energy Limited on 25 August 2008. The period 16 April 2008 to 30 June 2009 is the first annual financial reporting period of Buru and as such there is no comparative financial information in the financial report.

On completion of the abovementioned transfer, Buru held an exploration portfolio consisting of interests in 15 exploration permits, 1 retention lease, 2 production licences, 1 onshore pipeline licence and 8 applications within the Canning Basin in the Kimberley region of north-west Australia.

Vision and Corporate Strategy

Buru's vision is to successfully explore for and develop the petroleum resources of the Canning Basin, and other areas it identifies as prospective, to deliver material benefits to its shareholders, the community and the traditional owners of the areas in which the Company operates.

Corporate

The Company had a strong net free cash position of approximately $58.3 million at balance date, profitable low cost oil production from existing fields in the Canning Basin, and an extensive exploration portfolio with the flexibility to tailor future exploration activities and commitments to the prevailing market conditions.

On 20 April 2009, Buru announced that it intended to give shareholders and listed optionholders the opportunity to vote on a proposal under which Buru shares and listed options were to be acquired by Arenite Pty Ltd by way of schemes of arrangement between Buru and its shareholders and listed optionholders ("Schemes"). The contractual arrangements between Buru and Arenite Pty Ltd were set out in a Merger and Implementation Agreement ("MIA") which contained a number of conditions precedent which were required to be satisfied in order for the Schemes to be implemented. One of these conditions precedent was unable to be satisfied, and Buru received a notice of termination of the MIA from Arenite Pty Ltd on 16 June 2009 terminating the proposal with the effect that the parties have no further obligations to each other.

Production and Development

Buru produces oil from the Blina and Sundown oil field complex contained within production licenses L6 and L8 in the Canning Basin in the north-west of Western Australia. In August and September of 2008 the Company successfully completed a well workover program in its existing producing fields. The workover program resulted in production increasing from approximately 30 barrels of oil per day ("bopd") to approximately 200 bopd. Production has subsequently reduced to approximately 130 bopd. Additional technical studies of these fields are being undertaken and these studies are expected to be complemented by the acquisition of 3D seismic data in 2009 and drilling in 2010.

Drilling

The Company, in joint venture with New Standard Energy Limited, drilled the Lanagan 1 and Lawford 1 wells in the EP 417 permit between September and November of 2008. Buru participated in these wells following the execution of an agreement with New Standard Energy Limited on 26 August 2008 under which New Standard Energy Limited assigned a 35% interest in the EP 417 permit to Buru in return for Buru committing to fund 35% of the costs of drilling the Lanagan 1 and Lawford 1 wells and Buru paying New Standard Energy Limited $75,000 toward previous expenditure incurred by New Standard Energy Limited on the permit.

The Lanagan 1 well was drilled in September 2008 to a total depth of 1,530 metres and was plugged and abandoned when no significant hydrocarbons were encountered. On 4 October 2008 New Standard Energy Limited, as operator, spudded the Lawford 1 well which was subsequently suspended at a depth of 1,325 metres due to the risk of weather impacting drilling operations and continued mechanical difficulties with the well. New Standard Energy Limited has advised Buru that it is assessing the availability of drilling rigs and the potential for the well to be completed during the 2010 or 2011 drilling season to its proposed total target depth of 1,800 metres.

Buru, as operator of the EP 104 / R1 permits, undertook additional testing of the Stokes Bay 1 well located near the town of Derby in October and November of 2008. The program involved an initial circulation of fresh water and swabbing of the wellbore before using nitrogen in an attempt to lift the heavy drilling fluids above the Nullara Formation carbonate reservoir and reduce the pressure on the formation. The test program was designed to induce flow of formation fluids from the cavernous Nullara Formation reservoir. No formation fluids were recovered during the testing program. The joint venture is now evaluating other methods to determine whether hydrocarbons are present in the well and the extent of the reservoir.

Exploration

Since listing on 1 September 2008 Buru has been undertaking a detailed technical review of the previous exploration programs conducted by ARC Energy Limited and its predecessors in the Canning Basin. The Company has also advanced its own detailed regional and prospect level technical review of the Canning Basin and the permits in its portfolio. Economic conditions and encouraging results from the workovers at the Blina and Sundown oil fields in the L6 and L8 production licenses have seen the Company renew its focus on these areas as they are prospective for low risk exploration in an area with established infrastructure.

Buru has now commenced (as pictured above) acquiring approximately 223 sq km of 3D seismic data over the existing oil fields in the L6 and L8 production licenses and EP 129 exploration permit, and over 100 km of 2D seismic data over the Paradise 1 structure on the boundary of the EP 371 and EP 428 exploration permits with the potential to drill in these areas in the 2010 drilling season. The Company has also continued its technical review, prospect identification and refinement process in 2009 in preparation for drilling in the 2010 dry season. A detailed review of drilling rig options is being undertaken to ensure the Company can effectively and economically undertake its 2010 drilling program.

Corporate Governance

This statement outlines the main corporate governance practices in place throughout the reporting period, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

Purpose of the Board

The purpose of the Board is to govern on behalf of all owners. The Board's specific job outputs are to maintain a link between the shareholders and the operations of the Company and to create and maintain governance policies that address the broadest levels of all decisions and situations. The Board retains the responsibility for setting the direction and objectives of Buru and for setting limitations on the means by which management may achieve those ends. The limitations are primarily imposed by approved corporate budgets and corporate strategy. The Board delegates to management the responsibility for developing the capability to achieve Buru's aims and objectives and employing that capability within the limitations set by the Board.

Accountability of the Board

The Board has accountability to exercise the owner representative role and to delegate a portion of its authority through management limitations, policies and holding the Chairman accountable. It also recognises in its policies its accountability to legal and ethical obligations and its broader responsibility to non-equity stakeholders and the community, including traditional owners. The Board currently assesses the performance of the Board, its directors and senior executives against the Company's strategic plan on an ongoing basis. The Company plans to implement a formal annual performance review process in due course.

Unity of Control

The mandate to lead Buru is placed by shareholders in the hands of the entire Board. The principles endorsed by the Board are as follows:

- No person within Buru, whether a Board member or a member of management, can have any authority unless the Board grants that authority.
- All Board members are accountable individually and as a whole for any lapses of performance or behaviour by Buru.
- The Board possesses authority only as a group. The Chairman and individual Directors have no power unless specifically given it by the group. No individual Director may advise or decide unless so directed by the group.

Business Judgment Rule

A Director or other officer of Buru who makes a business judgment will have met the requirements of Buru's Corporate Governance System and their equivalent duties at common law and in equity, if they:

- make the judgment in good faith for a proper purpose;
- do not have a material personal interest in the subject matter of the judgment;
- inform themselves about the subject matter of the judgment to the extent they reasonably believe to be appropriate; and
- rationally believe that the judgment is in the best interests of Buru.

The Director's or officer's belief that the judgment is in the best interests of Buru is a rational one unless the belief is one that no reasonable person in their position would hold.

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Terms of Appointment

Executive Directors have the terms of their employment set out in individual contracts. Any particular condition attaching to the appointment of an individual Non-Executive Director would be formalised in a separate letter. The Board ensures that all Directors and management of Buru clearly understand corporate expectations.

Composition of the Board

Details of the current Directors and their relevant skills, expertise, experience and term of office, are set out earlier in the Directors' Report. The Board assesses the independence of each Director annually in light of the interests declared by them.

The status of each Director as at the date of this report is as follows:

Director	Non-Executive	Independent (as defined by ASX)
Mr Adrian Cook (Managing Director)	No	No
Mr Graham Riley (Chairman)	Yes	Yes
Mr Eric Streitberg	Yes	No

Risk Management

The Board as a whole works to establish and maintain a sound system of corporate and commercial risk oversight and management and internal control by identifying, assessing, monitoring and managing Buru's risk exposure. It also informs investors of any material changes to Buru's risk profile should they occur. Buru maintains a risk management system commensurate with the nature, level and size of its activities.

The risks involved with oil and gas exploration and the specific uncertainties for Buru are being regularly monitored and all exploration and investment proposals reviewed by the Board include a conscious consideration of the issues and risks of each proposal.

The Board directly monitors the potential exposures facing Buru. Additionally, it is the responsibility of the Board to assess the adequacy of Buru's internal control systems and that its financial affairs comply with applicable laws and regulations and professional practices.

ASX Principles of Good Corporate Governance

The Board has reviewed its current practices in comparison to the ASX principles of good corporate governance and best practice guidelines with a view to making amendments where applicable after considering the Company's size and the resources it has available.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of any additional formal corporate governance committees will be given further consideration. The following table sets out the ASX Corporate Governance Guidelines with which the Company does not comply.

Principle	Comment regarding non compliance with best practice
2.1 The majority of the Board should be independent Directors.	At present only one of the three Directors (excluding the Alternate Director) can be classified as independent based on the ASX definition of an independent Director which has been accepted by Buru. Mr Adrian Cook is not considered independent due to his role as Managing Director of the Company. Whilst Mr Eric Streitberg is a Non-Executive Director of the Company, he is not considered independent due to his previous role as Managing Director of ARC Energy Limited prior to Buru's demerger, and his directorship of Arenite Pty Ltd which made a proposal to acquire Buru during the period. Whilst it is the Company's medium term objective to have a majority of independent Directors on its Board, given the size and nature of Buru's current operations, the Board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of Buru and its shareholders at the present time. The Board is also of the view that despite its current lack of majority independent representation, the Board's collective experience and background is considered appropriate for it to fulfil its objectives. The Board continues to regularly review its composition and need for additional Directors in terms of the Company's progress and level of activities.
2.4 The Board should establish a nomination committee.	The Board does not have a nomination committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for, screening and appointing new Directors. In view of the size and resources available to the Company, it is not considered that a separate nomination committee would add any substance to this process.
4.1 The Board should establish an audit committee.	The Board does not have an audit committee. The Board believes that, with only three Directors on the Board, the Board itself is the appropriate forum to deal with this function.
7.1 Companies should establish policies for the oversight and management of material business risk and disclose a summary of those policies.	Given the size and scale of Buru, it does not have a risk sub-committee or an internal audit function. The Board directly monitors the potential exposures facing the Company.
7.2 The Board should require management to design and implement the risk management and internal control system and to report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Given the size and scale of Buru, the Board monitors the Company's material risk directly through ongoing reporting by the Managing Director. The Managing Director has advised the Board that the Company's risk management is being managed effectively. The Company intends to develop its risk reporting framework to ensure it is adequate to meet the Company's requirements as its operations continue to grow.
8.1 The Board should establish a remuneration committee.	The Board does not have a remuneration committee. The Board as a whole reviews remuneration levels on an individual basis and the size of the Company makes individual assessment more appropriate than formal remuneration policies. In doing so, the Board will retain professional services as it requires, at reasonable market rates, and seeks external advice and market comparisons where necessary.
8.2 Companies should clearly distinguish the structure of Non-Executive Director's remuneration from that of Executive Directors and senior executives.	The Board acknowledges the grant of options and additional payment for services to Non-Executive Directors' is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the granting of Options to Non-Executive Directors to be reasonable in the circumstances, given the necessity to attract and retain the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves. The additional payment for services as disclosed in the remuneration report paid to the Chairman Mr Graham Riley was also considered necessary considering the additional time required in relation to Arenite Pty Ltd's proposed acquisition of the Company.

Operating Results

The consolidated loss of the Consolidated Group after providing for income tax amounted to $32,398,268.

Financial Position

The net assets of the Consolidated Group totalled to $39,413,312 as at 30 June 2009.

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.

Significant Changes in the State of Affairs

No significant change in the state of affairs of the Consolidated Group occurred during the period other than already referred to elsewhere in this report.

After Balance Date Events

On 11 August 2009, Buru announced that it had entered into an agreement with New Standard Energy Limited which will result in Buru effectively acquiring a 100% interest in Canning Basin permits EP 442, EP 442A, acreage release L08-3 and application area 30/07-8 ("Acacia Permits") subject to the Trident Energy Limited pre-emptive right outlined below.

In consideration of the transfer of the interests held by New Standard Energy Limited in the Acacia Permits, Buru will:

- transfer its 10% interest in EP 443, EP 450, EP 451 and EP 456 to a subsidiary of New Standard Energy Limited;
- pay cash consideration to New Standard Energy Limited of $3.2m; and
- issue New Standard Energy Limited with 18 million new Buru shares. On completion of this issue New Standard Energy Limited will hold approximately 10% of Buru.

Buru and New Standard Energy Limited have also agreed to the cancellation of the existing farm-in agreement covering New Standard Energy Limited's wider acreage holdings in the southern Canning Basin. Pursuant to this agreement Buru was obliged to fund certain seismic and exploration drilling costs to earn up to a 75% interest in EP 442, EP 443, EP 450, EP 451 and EP 456. Buru will have first rights of refusal over New Standard Energy Limited's interests in EP 443, EP 450, EP 451 and EP 456 in the event New Standard Energy Limited proposes to farm-out these interests. New Standard Energy Limited will have rights of first refusal over Buru's interests in the Acacia Permits in the event Buru proposes to farm-out its interests in the Acacia Permits.

Trident Energy Limited holds a pre-emptive right over EP 442A. If Trident Energy Limited exercises this right EP 442A will be transferred from New Standard Energy Limited to Trident Energy Limited and no interest in that permit will be acquired by Buru. In that event the total cash payable and shares issued to New Standard Energy Limited by Buru will be reduced by the consideration ascribed to EP 442A. Trident Energy Limited also holds rights to earn up to a 17.5% interest in EP 442A which, if exercised, will reduce Buru's holding in EP 442A to 82.5%. Trident Energy Limited also has a right of first refusal to negotiate the terms of a farm-in agreement in the event that acreage release L08-3 and application area 30/07-8 are granted.

It is expected that this transaction will be completed during August or September 2009.

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

Likely Developments

The Consolidated Group intends to continue its current oil and gas exploration in the Canning Basin in the Kimberley region of Western Australia. Likely developments will depend upon the success of the current exploration results. At this stage, the expected likely developments have not been disclosed as the Directors believe, on reasonable grounds, that the inclusion of such information would result in unreasonable prejudice to the Consolidated Group.

Environmental Issues

The Consolidated Group is subject to environmental regulation under relevant Australian legislation in relation to its oil and gas exploration and production activities, particularly with the Department of Mines and Petroleum ("DMP") and the Department of Environmental Conservation ("DEC"). The Directors actively monitor compliance with these regulations. As at the date of this report, the Directors are not aware of any material breaches in respect of the regulations. The Company is in the process of rectifying outstanding environmental actions arising from DMP and DEC audits on the previous operators. The cost of these actions is believed to be adequately provided for in the Company's rehabilitation provision.

Remuneration Report - Audited

Principles of compensation

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Consolidated Group. Key management personnel comprise the Directors of the Company as well as one former executive of the Company. Compensation levels for key management personnel of the Company, and key management personnel of the Group, are competitively set to attract and retain appropriately qualified and experienced Directors and executives. The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel; and
- the Consolidated Group's performance in particular the share price performance.

Compensation packages include a mix of fixed and variable compensation components.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the Board through a process that considers individual performance and the overall performance of the Group.

Short-term incentive performance linked compensation

Short term cash incentive bonuses may be paid to key management personnel depending on financial and non-financial performance.

Long-term incentive performance linked compensation

Options over ordinary shares were granted to key management personnel during the period for no consideration. The Board considers that the above performance-linked compensation structure is necessary to attract and retain the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves.

Consequences of performance on shareholder wealth

Remuneration of key management personnel is determined with reference to the operations of the Company since demerging from ARC Energy Limited on 25 August 2008, with emphasis on delivering value to shareholders through the exploration of its oil and gas permits. The Company has continued the technical evaluation of its oil and gas permits since demerging from ARC Energy Limited to ensure shareholder wealth is maximised from exploration and development in the coming years.

Other benefits

Key management personnel receive additional benefits as non-cash benefits, as part of the terms and conditions of their appointment. Non-cash benefits typically include the provision of car parking and professional membership fees, and the Company pays fringe benefits tax on these benefits where required.

Service contracts

The Group has entered into service contracts with each key management person. The key management personnel are also entitled to receive on termination of employment their contractual and statutory entitlements including accrued annual and long service leave, together with any superannuation benefits. The service contract outlines the components of compensation paid to the key management personnel but does not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the key management personnel and any changes required to meet the principles of the compensation policy.

Mr Adrian Cook's employment agreement with the Company, dated 30 May 2008, provides that he is responsible to the Buru Board. He is required to carry out his duties, ensuring that any other activities he undertakes do not conflict with them. The agreement provides for a three year term of employment, with an option to extend. Either party may terminate the employment with four months notice.

Non-Executive Directors

Total fixed compensation for all Non-Executive Directors is not to exceed $200,000 per annum. It is set by reference to other Non-Executive Director fees paid by comparable companies. The Non-Executive Directors' base fee is presently $50,000 per annum and the Chairman's base fee is $70,000 per annum. Directors' fees cover all main Board activities. Mr. Eric Streitberg also charges fees to the Company in relation to his provision of geological and geophysical consulting services under a separate consulting contract.

Key Management Personnel Compensation

For the period from 16 April 2008 to 30 June 2009

	Short-term Benefits			Post-employment Benefits		
Key Management Person	**Salary and fees $**	**Non-cash benefit $**	**Share-based payment $**	**Superannuation $**	**Total $**	**Value of options as a percentage of remuneration %**
Executive Director						
Mr Adrian Cook	275,833	937	77,050	24,825	378,645	20.3%
Non-Executive Director						
Mr Graham Riley	73,750 *	-	25,680	4,200	103,630	24.8%
Mr Eric Streitberg	53,333	-	77,050	4,800	135,183	57.0%
Executive						
Mr Neil Thompson	283,754 **	-	-	8,240	291,994	0%
Total	**686,670**	**937**	**179,780**	**42,065**	**909,452**	**19.8%**

The fair value of the options is calculated at grant date using the Black & Scholes option pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the fair value of the options recognised in the reporting period.

* Includes an amount of $27,084 paid in relation to work performed in respect of the proposed acquisition of Buru by Arenite Pty Ltd outside of his normal Non-Executive Director duties.

** Includes an amount of $181,701 paid on termination of his employment with Buru Energy Ltd.

Options Granted as Remuneration

For the period from 16 April 2008 to 30 June 2009

			Terms & Conditions for Each Grant				
Key Management Person	**Number Vested**	**Number Granted**	**Grant Date**	**Value per Option $**	**Exercise Price $**	**First Exercise Date**	**Last Exercise Date**
Executive Director							
Mr Adrian Cook	3,000,000	9,000,000	27 Aug 08	0.01075	0.94	1 Mar 09	27 Aug 10
Non-Executive Director							
Mr Graham Riley	1,000,000	3,000,000	27 Aug 08	0.01075	0.94	1 Mar 09	27 Aug 10
Mr Eric Streitberg	3,000,000	9,000,000	27 Aug 08	0.01075	0.94	1 Mar 09	27 Aug 10
Total	**7,000,000**	**21,000,000**					

All options vest within 1.5 years of grant date and expire within 0.5 to 1.5 years of vesting. 33.3% vested during the reporting period.

All options were granted for nil consideration. No options have been granted since the end of the period.

Mr Neil Thompson was granted 6,000,000 options on the same terms and conditions as the table above. All 6,000,000 options were forfeited on termination of his employment.

No shares have been issued on the exercise of compensation options. No terms of equity-settled share based payment transactions have been altered or modified by the issuing entity during the reporting period.

Directors' meetings

During the reporting period, 10 meetings of Directors were held. Mr Adrian Cook and Mr Graham Riley attended all 10 meetings. Mr Eric Streitberg attended 8 of the meetings; the other 2 took place whilst Mr Eric Streitberg had stood aside from the Board for independence reasons during the Board's consideration of the Arenite Pty Ltd proposal.

Indemnifying Officers or Auditor

During or since the end of the period the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums to insure each of the Directors and the Company Secretary against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium paid was $22,200.

Options

At the date of this report, the unissued ordinary shares of Buru Energy Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
27 August 2008	27 August 2010	$0.94	27,900,000
10 October 2008	10 October 2010	$0.94	55,176,975 (*)
21 January 2009	27 August 2010	$0.94	400,000
21 May 2009	27 August 2010	$0.94	300,000
			83,776,975

(*) Options listed on ASX

Directors' Interests

The relevant interest of each Director in the shares or options issued by the companies within the Group, as notified by the Directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows

Director	Ordinary shares	Listed options	Unlisted options
Mr Adrian Cook	353,681 *	20,921	9,000,000
Mr Graham Riley	2,000,000 **	384,167 ***	3,000,000
Mr Eric Streitberg	3,851,066	1,210,066	9,000,000
	6,204,747	**1,615,154**	**21,000,000**

All shares and listed options disclosed above were issued as part of the demerger from ARC Energy Limited, unless otherwise stated, and are current as at the date of this report.

The unlisted options were issued as a share based payment to Directors and employers.

* Mr Adrian Cook purchased 290,917 ordinary shares on market during the period
** Mr Graham Riley purchased 1,447,500 ordinary shares on market during the period
*** Mr Graham Riley purchased 32,418 listed options on market during the period

Proceedings on Behalf of Company

No person has applied for leave from any Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the period.

Non-audit Services

During the period, the Company's auditor did not perform any other services in addition to their statutory duties. The Board of Directors are satisfied that the provision of any non-audit services will be compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that any services would not compromise the external auditor's independence for the following reasons:

- all non-audit services will be reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided will not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Auditor's Independence Declaration

The lead auditor's independence declaration for the period 16 April 2008 to 30 June 2009 has been received and can be found on page 50.

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

Mr Adrian Cook	Mr Graham Riley
Managing Director	Chairman
Perth	Perth
26 August 2009	26 August 2009

FOR THE PERIOD 16 APRIL 2008 TO 30 JUNE 2009

	Note	Consolidated 2009 $	Company 2009 $
Revenue	8	3,208,100	3,208,100
Cost of sales		(2,252,031)	(2,265,095)
Gross profit		**956,069**	**943,005**
Other income	9	75,781	75,781
Impairment of exploration expenditure	14	(41,268,932)	(41,268,932)
Impairment of development expenditure	15	(630,742)	(630,742)
Impairment of financial assets	16	(881,250)	(881,250)
Impairment of other non-current assets	13	(207,382)	(207,382)
Establishment and transaction expenses		(847,656)	(847,656)
Administrative personnel expenses	10	(1,482,885)	(1,482,885)
Office and other administration expenses		(886,597)	(886,597)
Increase in provision for site restoration	23	(700,000)	(700,000)
Results from operating activities		**(45,873,594)**	**(45,886,658)**
Financial income	11	3,110,059	3,110,059
Financial expenses	11	(73,686)	(73,686)
Net finance income		**3,036,373**	**3,036,373**
Loss for the period		**(42,837,221)**	**(42,850,285)**
Income tax benefit	12	10,438,953	10,438,953
Loss attributable to equity holders of the Company		**(32,398,268)**	**(32,411,332)**
Loss per share (cents)	22	**(28.46)**	
Diluted loss per share (cents)	22	**(28.46)**	

The notes on pages 18 to 46 are an integral part of these consolidated financial statements.

AS AT 30 JUNE 2009

	Note	Consolidated 30 June 2009 $	Company 30 June 2009 $
CURRENT ASSETS			
Cash and cash equivalents	20a	58,274,010	58,274,009
Trade and other receivables	18	1,571,624	1,587,670
Inventories	19	407,306	407,306
Total Current Assets		**60,252,940**	**60,268,985**
NON-CURRENT ASSETS			
Financial assets	16	21,375,794	21,346,685
Exploration and evaluation expenditure	14	3,600,602	3,600,602
Property, plant and equipment	13	1,441,435	1,441,435
Total Non-Current Assets		**26,417,831**	**26,388,722**
TOTAL ASSETS		**86,670,771**	**86,657,707**
CURRENT LIABILITIES			
Trade and other payables	25	2,046,053	2,046,053
Provisions	23	60,399	60,399
Total Current Liabilities		**2,106,452**	**2,106,452**
NON-CURRENT LIABILITIES			
Trade and other payables	25	40,000,000	40,000,000
Provisions	23	5,151,007	5,151,007
Total Non-Current Liabilities		**45,151,007**	**45,151,007**
TOTAL LIABILITIES		**47,257,459**	**47,257,459**
NET ASSETS		**39,413,312**	**39,400,248**
EQUITY			
Contributed equity	21	71,572,734	71,572,734
Share based payment reserve	21	238,846	238,846
Accumulated losses		(32,398,268)	(32,411,332)
TOTAL EQUITY		**39,413,312**	**39,400,248**

The notes on pages 18 to 46 are an integral part of these consolidated financial statements.

FOR THE PERIOD 16 APRIL 2008 TO 30 JUNE 2009

	Note	Consolidated 2009 $	Company 2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		3,198,413	3,198,413
Payments to suppliers and employees		(4,732,556)	(4,732,556)
Cash used in operations		**(1,534,143)**	**(1,534,143)**
Interest paid		(2,356)	(2,356)
Net cash outflow from operating activities	20b	**(1,536,499)**	**(1,536,499)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		2,775,611	2,775,611
Payments for purchase of plant and equipment		(578,124)	(578,124)
Payments for exploration and evaluation expenditure		(5,898,134)	(5,898,134)
Payments for development expenditure		(676,922)	(676,922)
Payment for incorporation of subsidiary		-	(1)
Transfer to long-term cash held in escrow (*)		(20,727,934)	(20,727,934)
Payments for available-for-sale financial assets		(29,110)	-
Loan to subsidiary to finance the purchase of financial assets		-	(29,110)
Net cash outflow from investing activities		**(25,134,613)**	**(25,134,614)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the initial issue of share capital on incorporation		1	1
Cash received from demerger with ARC Energy Limited		84,986,578	84,986,578
Net cash inflow from financing activities		**84,986,579**	**84,986,579**
Net increase in cash and cash equivalents		**58,315,467**	**58,315,466**
Cash and cash equivalents at 16 April 2008		-	-
Effect of exchange rate changes on cash and cash equivalents		(41,457)	(41,457)
Cash and cash equivalents at 30 June 2009	20a	**58,274,010**	**58,274,009**

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

The notes on pages 18 to 46 are an integral part of these consolidated financial statements.

FOR THE PERIOD 16 APRIL 2008 TO 30 JUNE 2009

CONSOLIDATED	**Issued Capital $**	**Accumulated Losses $**	**Share Based Payment Reserve $**	**Total Equity $**
Opening balance at 16 April 2008	-	-	-	-
Net loss for the period	**-**	**(32,398,268)**	**-**	**(32,398,268)**
Transactions with equity holders in their capacity as equity holders:				
Issue of share capital	71,572,734	-	-	71,572,734
Equity settled share based payment transactions	-	-	238,846	238,846
	71,572,734	**-**	**238,846**	**71,811,580**
Closing balance at 30 June 2009	**71,572,734**	**(32,398,268)**	**238,846**	**39,413,312**

COMPANY	**Issued Capital $**	**Accumulated Losses $**	**Share Based Payment Reserve $**	**Total Equity $**
Opening balance at 16 April 2008	-	-	-	-
Net loss for the period	**-**	**(32,411,332)**	**-**	**(32,411,332)**
Transactions with equity holders in their capacity as equity holders:				
Issue of share capital	71,572,734	-	-	71,572,734
Equity settled share based payment transactions	-	-	238,846	238,846
	71,572,734	**-**	**238,846**	**71,811,580**
Closing balance at 30 June 2009	**71,572,734**	**(32,411,332)**	**238,846**	**39,400,248**

The notes on pages 18 to 46 are an integral part of these consolidated financial statements.

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 1, 418 Murray Street, Perth, Western Australia. The consolidated financial statements of the Company as at 30 June 2009 and for the period 16 April 2008 to 30 June 2009 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in jointly controlled entities. The Group is primarily involved in oil and gas exploration in the Canning Basin in the Kimberley region of Western Australia. The Company was incorporated on 16 April 2008 and this financial report is for the period 16 April 2008 to 30 June 2009. As this is the first reporting period for the Company, there are no comparative figures.

2 Basis of Preparation

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB). The financial statements were approved by the Board of Directors on 26 August 2009.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following:

- Available-for-sale-financial assets are measured at fair value; and
- Share based payments are measured at fair value.

The methods used to measure fair value are discussed further in note 4.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Australian dollars, which is the Company's and the Group's functional currency.

(d) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 14 – Exploration and evaluation expenditure
- Note 15 – Development expenditure
- Note 23 – Site restoration provision.
- Note 24 – Measurement of share-based payments

3 Significant Accounting Policies

The accounting policies set out below have been applied consistently by Group entities during the reporting period.

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The Company's controlled entities are shown at note 26. Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

(ii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity. Any cash paid for the acquisition is recognised directly in equity.

(iii) Jointly controlled operations and assets

The interest of the Company and of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the share of assets it controls, the share of liabilities that it incurs, the share of expenses it incurs and the share of income that it earns from the sale of goods or services by the joint venture.

(iv) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign Currency

Transactions in foreign currencies are translated to Australian Dollars at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

(c) Property, Plant and Equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

(ii) Subsequent costs

Buru recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to Buru and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iii) Depreciation

Assets, other than land and capital work in progress, are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

The estimated useful lives for the current period are as follows:

- infrastructure assets 10 – 30 years
- office equipment 3 – 20 years
- fixtures and fittings 6 – 20 years

The useful life and the depreciation method applied to an asset are reassessed at least annually.

(d) Exploration Expenditure

Exploration and evaluation costs, including the costs of acquiring permits and licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before Buru has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either: the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if: sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Once the technical feasibility and commercial viability of the extraction of oil or gas in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to development expenditure.

(e) Development Expenditure

Development expenditure is accumulated in respect of each separate area of interest. Development expenditure related to an area of interest is carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated cost in respect of that area is written off in the financial period the decision is made. Each area of interest is reviewed at the end of each accounting period and accumulated cost written off to the extent that they will not be recoverable in the future. Impairment of assets is discussed at note 3(k).

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward exploration and development costs are amortised on a units of production basis over the life of economically recoverable reserves.

Development assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy at note 3(k)). For the purposes of impairment testing, development assets are allocated to cash-generating units to which the development activity relates. The cash generating unit shall not be larger than the area of interest.

(f) Financial Instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Accounting for finance income and expense is discussed in note 3(r).

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(k)), and foreign currency differences on available-for-sale monetary items (see note 3(r)), are recognised directly in a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are recognised as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

(g) Trade and Other Receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

(j) Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases. The leased assets are not recognised on the Group's balance sheet.

(k) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of Buru's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Employee Benefits

(i) Long-term service benefits

Buru's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of Buru's obligations.

(ii) Wages, salaries, annual leave and sick leave

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that Buru expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(iii) Share-based payment transactions

The fair value at grant date of options granted to employees and Directors is recognised as a share based payment expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

(iv) Defined superannuation contribution plans

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement when they are due.

(m) Provisions

A provision is recognised in the balance sheet when Buru has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and that the obligation can be measured reliably. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Site restoration

Provisions are made for the estimated cost of an oil and gas field's site rehabilitation. Provisions include reclamation, plant closure, waste site closure and monitoring activities. These costs have been determined on the basis of current costs, current legal requirements and current technology. Changes in estimates are dealt with on a prospective basis.

Uncertainty exists as to the amount of restoration obligations which will be incurred due to the following factors:

- Uncertainty as to the remaining life of existing operating sites; and
- The impact of changes in legislation.

(n) Trade and Other Payables

Current trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30 day terms.

Unearned income includes payments received relating to revenue in subsequent years. Revenue will only be recognised when Buru delivers the goods or services to the customer.

(o) Loans and Borrowings

Loans and borrowings are initially recognised at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest method.

(p) Revenue

Revenue from the sale of oil, gas and condensate is recognised in the income statement at the fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer and recovery of the consideration is probable.

(q) Lease Payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(r) Finance Income and Expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(s) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation
The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 25 August 2008 or from the date the entity is acquired and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Buru Energy Limited. Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements
The head entity, in conjunction with other members of the tax-consolidated group, intends to enter into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. These tax funding arrangements will require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivable/(payable) will be payable at call.

Contributions to fund the current tax liabilities will be payable as per the tax funding arrangement and will be designed to reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities. The head entity, in conjunction with other members of the tax-consolidated group, also intends to enter into a tax sharing agreement. The tax sharing agreement will provide for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as it is not yet been entered into.

(t) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(u) Segment Reporting

A segment is a distinguishable component of Buru that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(v) Earnings Per Share

Buru presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(w) New Standards and Interpretations Not Yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report.

- Revised AASB Business Combinations (2008) incorporates the following changes that are likely to be relevant to the Group's operations:
    - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
    - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
    - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
    - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
    - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

- Revised AASB 3, which becomes mandatory for the Group's 30 June 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statement.

- Amended AASB 127 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Group's 30 June 2010 financial statements are not expected to have a significant impact on the consolidated financial statements.

- AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will required a change in the presentation on and disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently these are not expected to have a significant impact on the consolidated financial statements

- Revised AASB 101 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Group's 30 June 2010 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income in a single statement of comprehensive income for its 2010 consolidated financial statements.

- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. Therefore there will be no impact on prior periods in the Group's 30 June 2010 financial statements.

- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will be mandatory for the Group's 30 June 2010 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.

- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process and 2008-6 Further Amendments to Australian Accounting Standards arising from The Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2010 financial statements, are not expected to have any impact on the financial statements.

- AASB 2008-7 Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate changes the recognition and measurement dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amendments.

4 Determination of Fair Values

A number of Buru's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Share-based Payment Transactions

The fair value of Director and employee stock options is measured using the Black-Scholes valuation model. Measurement inputs include share price on a measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information) weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(b) Investments in Equity Instruments

The fair value of available-for-sale investments is determined by reference to their quoted bid price at the reporting date.

5 Segment Information

Buru has one business segment, the exploration, evaluation and development of oil and gas resources. Buru operates entirely in the geographical location of Australia.

6 Impact of Buru Demerger from ARC Energy Ltd

Buru was incorporated on 16 April 2008 as a public company limited by shares and its shares were listed on the Australian Stock Exchange on 1 September 2008.

Buru's assets and liabilities were transferred from ARC Energy Limited to Buru immediately prior to the merger between Australian Worldwide Exploration Ltd and ARC Energy Limited on 25 August 2008. These assets and liabilities were transferred at carrying value when Buru was a wholly owned subsidiary of ARC Energy Limited. This transaction is referred to as a common controlled transaction and therefore using carrying value to transfer the assets and liabilities is appropriate. The following historical balance sheet shows Buru's financial position at the time of the demerger.

	Note	Consolidated 25 August 2008 $	Company 25 August 2008 $
CURRENT ASSETS			
Cash and cash equivalents		64,986,578	64,986,578
Financial assets	16	1,500,000	1,500,000
Inventory		96,635	96,635
Total Current Assets		**66,583,213**	**66,583,213**
NON-CURRENT ASSETS			
Financial assets	16	20,000,000	20,000,000
Exploration and evaluation expenditure	14	39,390,393	39,390,393
Property, plant and equipment	13	1,257,501	1,257,501
Total Non-Current Assets		**60,647,894**	**60,647,894**
TOTAL ASSETS		**127,231,107**	**127,231,107**
CURRENT LIABILITIES			
Trade and other payables		769,420	769,420
Total Current Liabilities		**769,420**	**769,420**
NON-CURRENT LIABILITIES			
Provisions	23	4,450,000	4,450,000
Trade and other payables	25	40,000,000	40,000,000
Deferred tax liabilities		10,438,953	10,438,953
Total Non-Current Liabilities		**54,888,953**	**54,888,953**
TOTAL LIABILITIES		**55,658,373**	**55,658,373**
NET ASSETS		**71,572,734**	**71,572,734**
EQUITY			
Contributed equity		71,572,734	71,572,734
TOTAL EQUITY		**71,572,734**	**71,572,734**

7 Financial Risk Management

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Company's and Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Approximately 95 percent of the Group's revenue is attributable to sales transactions with a single customer. The Board are confident that this particular customer is an organisation of sufficient size and has sufficient cash flows to limit the credit risk to acceptable levels.

The Group does not require collateral in respect of trade and other receivables.

The Company and Group do not have an allowance for impairment on trade and other receivables. To date the Group have always received full consideration for trade and other receivables in a timely manner and as such there is no reason to believe that this will not continue going forward.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. This is monitored through rolling cash flow forecasts. Due to the structure of the Group, cash and cash equivalents are the most material asset on the balance sheet and significantly outweigh total liabilities.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on sales that are denominated in a currency other than the respective functional currencies of the Group (AUD). All sales of crude oil are denominated in US dollars. The Group does not consider it necessary to hedge its foreign currency exposure.

Interest rate risk

At balance date the Group's exposure to market risk for changes in interest rate relates primarily to the Company's short term cash deposits. Buru is not exposed to cash flow volatility from interest rate changes on borrowings as it does not have any short or long term borrowings.

The Group constantly analyses it exposure to interest rates, with consideration given to potential renewal of existing positions and the period to which deposits may be fixed.

Other market price risk

Equity price risk arises from available-for-sale equity securities held in other listed exploration companies. The Group monitors its available for sale equity instruments on a regular basis. The Group does not enter into commodity derivative contracts.

Capital management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so as to maintain future exploration and development of its projects. In order to maintain or adjust its capital structure, Buru may return capital to shareholders, issue new shares or sell assets. Buru's focus has been to maintain sufficient funds to fund exploration and evaluation activities. There are no external borrowings as at balance date.

There were no changes in the Group's approach to capital management during the period.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

8 Revenue

	Consolidated 2009 $	Company 2009 $
Sales of crude oil	3,094,296	3,094,296
Equipment hire	113,804	113,804
	3,208,100	**3,208,100**

9 Other Income

	Consolidated 2009 $	Company 2009 $
Management fees	8,665	8,665
Fuel tax credits	63,154	63,154
Other revenue	3,962	3,962
	75,781	**75,781**

10 Administrative Personnel Expenses

	Note	Consolidated 2009 $	Company 2009 $
Wages and salaries		616,577	616,577
Non-Executive Directors' fees		127,083	127,083
Superannuation		93,748	93,748
Contract employment services		356,390	356,390
Share based payment expenses	24	238,846	238,846
Other associated personnel expenses		50,241	50,241
		1,482,885	**1,482,885**

11 Finance Income and Expense

	Consolidated 2009 $	Company 2009 $
Interest income on bank deposits	3,110,059	3,110,059
Finance income	**3,110,059**	**3,110,059**
Interest expenses	(2,356)	(2,356)
Net foreign exchange loss	(71,330)	(71,330)
Finance expense	**(73,686)**	**(73,686)**
Net finance income recognised in profit or loss	**3,036,373**	**3,036,373**

12 Income Tax Expense

	Consolidated 2009 $	Company 2009 $
Current income tax		
Current income tax charge	-	-
	-	-
Deferred income tax		
Benefit relating to origination and reversal of temporary differences	10,438,953	10,438,953
	10,438,953	**10,438,953**
Total income tax benefit reported in the income statement	**10,438,953**	**10,438,953**
Numerical reconciliation between tax expense and pre-tax accounting profit		
Accounting loss before tax	(42,837,221)	(42,850,285)
Income tax benefit using the domestic corporation tax rate of 30%	12,851,166	12,855,085
Increase in income tax due to:		
- Non deductible expenses	(284,891)	(284,891)
- Temporary differences and tax losses not brought to account as a DTA	(12,569,319)	(12,573,238)
- Investment allowance tax deduction	3,044	3,044
Income tax benefit / (expense) on pre tax loss	**-**	**-**

Tax consolidation

The Company and its 100% owned controlled entities have formed a tax consolidated group. Members of the tax consolidated group intend to enter into a tax sharing arrangement which will allow for the allocation of income tax expense to the wholly owned controlled entities on a pro-rata basis. The arrangement will provide for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. The head entity of the tax consolidated group is Buru.

Tax affect accounting by members of the Consolidated Group

Members of the tax consolidated group intend to enter into a tax funding agreement. The proposed tax funding agreement will provide for the allocation of current taxes to members of the tax consolidated group. Deferred taxes will be allocated to members of the tax consolidated group in accordance with a group allocation approach which is consistent with the principles of AASB 112 Income Taxes.

The allocation of taxes under the proposed tax funding agreement will be recognised as an increase/decrease in the controlled entities intercompany accounts with the tax consolidated group head entity, Buru. In this regard, Buru has assumed the benefit of tax losses from the member entities. The nature of the proposed tax funding agreement is such that no tax consolidation contributions by or distributions to equity participants are required

13 Property, Plant and Equipment

	Consolidated and Company				
	Work in progress $	**Plant and equipment $**	**Office equipment $**	**Fixtures and fittings $**	**Total $**
Cost or deemed cost					
Carrying amount at the beginning of the period	-	-	-	-	-
Acquired from demerger of Buru from ARC Energy Limited	207,452	1,050,049	-	-	1,257,501
Additions	-	134,248	378,981	26,387	539,616
Balance at 30 June 2009	**207,452**	**1,184,297**	**378,981**	**26,387**	**1,797,117**
Depreciation and impairment losses					
Carrying amount at the beginning of the period	-	-	-	-	-
Depreciation for the period	-	(88,076)	(58,285)	(1,869)	(148,230)
Impairment loss (i)	(207,452)	-	-	-	(207,452)
Balance at 30 June 2009	**(207,452)**	**(88,076)**	**(58,285)**	**(1,869)**	**(355,682)**
Carrying amounts					
At the beginning of the period	-	-	-	-	-
At 30 June 2009	**-**	**1,096,221**	**320,696**	**24,518**	**1,441,435**

(i) The balance of $207,452 acquired in work in progress from the ARC Energy Limited demerger during the period relates to design and procurement of a gas recycle project developed by ARC Energy Limited engineering staff. This amount has been fully written off during the period.

14 Exploration and Evaluation Expenditure

	Consolidated 2009 $	Company 2009 $
Carrying amount at beginning of the period	-	-
Acquired from demerger of Buru from ARC Energy Limited	39,390,393	39,390,393
Expenditure incurred during the period	5,479,141	5,479,141
Exploration expenditure written off	(41,268,932)	(41,268,932)
Carrying amount at 30 June 2009	**3,600,602**	**3,600,602**

Buru has carefully considered the nature and carrying value of $39.4 million of exploration assets transferred from ARC Energy Limited and the results and the cost of $5.5 million of exploration activities undertaken in its own right. Based on a review of the costs incurred on each area of interest and the current oil price, the decision has been made to write-off a material component of the exploration expenditure previously capitalised on the balance sheet. As a result Buru has written approximately $41.3 million of exploration expenditure off during the reporting period.

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.

15 Development Expenditure

	Consolidated 2009 $	Company 2009 $
Carrying amount at beginning of the interim period	-	-
Expenditure incurred during the period	630,742	630,742
Development expenditure written off	(630,742)	(630,742)
Carrying amount at 30 June 2009	**-**	**-**

In light of the results of the development expenditure incurred and the current oil price, the decision has been made to write-off the expenditure capitalised on the balance sheet in full.

16 Financial Assets

	Consolidated 2009 $	Company 2009 $
Non-current financial assets		
Available-for-sale financial assets (i)	618,750	618,750
Long-term cash held in escrow (ii)	20,727,934	20,727,934
Other available-for-sale-financial assets	29,110	-
Investments in subsidiaries	-	1
	21,375,794	**21,346,685**

(i) Available for sale financial assets comprises of listed securities in a quoted market.

	Consolidated 2009 $	Company 2009 $
Carrying amount at beginning of the interim period	-	-
Acquired from demerger of Buru from ARC Energy Limited	1,500,000	1,500,000
Impairment recognised through the income statement	(881,250)	(881,250)
Carrying amount at 30 June 2009	**618,750**	**618,750**

Sensitivity analysis – equity price risk

The Group's equity investments are listed on the Australian Securities Exchange. For such investments classified as available for sale, a 10 percent increase in the value of the shares at the reporting date would have decreased the loss after tax of $61,875, an equal change in the opposite direction would have increased the loss after tax by $61,875.

(ii) Buru and Alcoa of Australia Limited have agreed to escrow $20 million in cash and interest thereon in partial satisfaction of Buru's potential obligations to repay $40 million to Alcoa of Australia Limited if Buru does not deliver gas (Note 25).

	Consolidated 2009 $	Company 2009 $
Carrying amount at beginning of the interim period	-	-
Acquired from demerger of Buru from ARC Energy Limited	20,000,000	20,000,000
Interest earned on escrowed amount	727,934	727,934
Carrying amount at 30 June 2009	**20,727,934**	**20,727,934**

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 28.

17 Tax Assets and Liabilities

Unrecognised net deferred tax assets

Deferred tax assets have not been recognised in respect of the following items

	Consolidated 2009 $	Company 2009 $
Deferred tax assets		
Business related costs	132,359	132,359
Unrealised foreign exchange loss	12,437	12,437
Depreciable capital expenditure	1,703	1,703
Accrued expenditure	11,493	11,493
Provision for employee entitlements	18,422	18,422
Development expenditure	189,223	189,223
Sundry payables	810	810
Other provisions	1,809,375	1,809,375
Tax losses	1,092,558	1,096,477
	3,268,380	**3,272,299**

Deferred tax liabilities		
Exploration expenditure	1,080,181	1,080,181
Prepayments	664	664
Interest receivable	100,334	100,334
	1,181,179	**1,181,179**
Net deferred tax assets not brought to account	**2,087,201**	**2,091,120**

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

18 Trade and Other Receivables

	Consolidated 2009 $	Company 2009 $
Trade receivables	527,057	527,057
Accrued interest receivable	334,448	334,448
GST receivable	170,188	170,188
Prepayments	310,877	310,877
Security bonds	58,866	58,866
Loans to subsidiaries	-	16,046
Other receivables	170,188	170,188
	1,571,624	**1,587,670**

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 28. The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 28.

19 Inventories

	Consolidated 2009 $	Company 2009 $
Materials and consumables – at cost	**407,306**	**407,306**

20a Cash and Cash Equivalents

	Consolidated 2009 $	Company 2009 $
Bank balances	28,172,580	28,172,579
Call deposits	30,101,430	30,101,430
Cash and cash equivalents in the statement of cash flows	**58,274,010**	**58,274,009**

20b Reconciliation of Cash Flows from Operating Activities

	Note	Consolidated 2009	Company 2009
Cash flows from operating activities		**$**	**$**
Loss for the period		(32,398,268)	(32,411,332)
Adjustments for:			
Depreciation	13	148,230	148,230
Impairment losses on exploration expenditure	14	41,268,932	41,268,932
Impairment losses on development expenditure	15	630,742	630,742
Impairment losses on other non-current assets	13	207,382	207,382
Impairment losses on assets classified as available-for-sale	16	881,250	881,250
Equity-settled share-based payment transactions	24	238,846	238,846
Net finance income (excluding interest on long-term cash held in escrow)	11	(2,308,439)	(2,308,439)
Income tax benefit	12	(10,438,953)	(10,438,953)
Operating loss before changes in working capital and provisions		**(1,770,278)**	**(1,783,342)**
Changes in working capital, net of acquisitions			
Change in trade and other receivables		(1,882,310)	(1,869,246)
Change in inventories		6,258	6,258
Change in trade and other payables		1,348,425	1,348,425
Change in provisions		761,406	761,406
Net cash from operating activities		**(1,536,499)**	**(1,536,499)**

21 Capital and Reserves

Share capital

	Ordinary Shares 2009 No.
On issue at 16 April 2008 on incorporation	1
Issued on demerger of Buru from ARC Energy Limited	162,119,727
On issue at 30 June 2009 – fully paid	**162,119,728**

The Company has also issued share options (see note 24).

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.

Share-based Payments Reserve

The share-based payments reserve represents the fair value of options expensed by the Company to 30 June 2009.

22 Loss Per Share

Basic loss per share

	Consolidated 2009 $
Loss attributable to ordinary shareholders	**32,398,268**

Weighted average number of ordinary shares

	Consolidated 2009 No.
Issued ordinary shares at 16 April 2008	1
Effect of 162,119,727 shares issued on demerger of Buru from ARC Energy Ltd on 25 August 2008	113,852,264
Weighted average number of ordinary shares at 30 June 2009	**113,852,265**

Diluted earnings per share

The Company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion of these options would result in a decrease in the net loss per share.

23 Provisions

	Consolidated 2009	Company 2009
Current	$	$
Provision for annual leave	54,522	54,522
Provision for long-service leave	5,877	5,877
	60,399	**60,399**
Non-Current		
Provision for long-service leave	1,007	1,007
Provision for site restoration (i)	5,150,000	5,150,000
	5,151,007	**5,151,007**

(i) Site restoration provision

	Consolidated 2009 $	Company 2009 $
Opening balance	-	-
Acquired in demerger of Buru from ARC Energy Ltd	4,450,000	4,450,000
Provisions made during the period	700,000	700,000
Balance at 30 June 2009	**5,150,000**	**5,150,000**

A provision of $4,450,000 was acquired during the period when Buru demerged from ARC Energy Ltd. The provision is in respect of the Group's obligation to rectify environmental liabilities relating to exploration and production in the Canning Basin in accordance with the requirements of the DEC and the DMP. An additional amount of $700,000 has been provided for in relation to the obligation of Buru to plug and abandon a number wells drilled in the Canning Basin by previous operators.

Because of the long-term nature of the liability, the biggest uncertainty in estimating the provision is the costs that will be incurred. The rehabilitation is expected to commence during the next year.

24 Share-based Payments

When Buru demerged from ARC Energy Limited, it established a share option programme and granted key management personnel and employees options to purchase shares in the Company. The recognition and measurement principles in AASB 2 have been applied to these grants. The terms and conditions of the grants are as follows. All options are to be settled by physical delivery of shares.

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

	Weighted average exercise price 2009	Number of options 2009
Outstanding options at the beginning of the period		-
Granted 27 August 2008	0.94	33,900,000
Granted 21 January 2009	0.94	400,000
Granted 21 May 2009	0.94	300,000
Forfeited during the period	0.94	(6,000,000)
Exercised during the period	-	-
Outstanding at 30 June 2009	**0.94**	**28,600,000**
Exercisable at 30 June 2009	**0.94**	**9,533,333**

The options outstanding at 30 June 2009 expire on 27 August 2010. The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black & Scholes model, incorporating the probability of the relative total shareholder return vesting condition being met, with the following inputs:

Fair value of share options and assumptions	**27 Aug 2008**	**21 Jan 2009**	**21 May 2009**
Fair value at grant date per option	1.075c	-	-
Share price	26c	18c	23c
Exercise price	94c	94c	94c
Expected volatility (weighted average volatility)	55.8%	51.3%	58.1%
Option life (expected weighted average life)	2.02 years	1.61 years	1.29 years
Expected dividends	-	-	-
Risk-free interest rate (based on government bonds)	5.685%	2.605%	3.460%

Total options over ordinary shares on issue	**Company 2009 No.**
Number of unlisted options granted as share based payments	28,600,000
Number of listed options issued on 10 October 2008	55,176,975
	83,776,975

25 Trade and Other Payables

	Consolidated 2009 $	Company 2009 $
Trade payables	1,260,627	1,260,627
Non-trade payables and accrued expenses	785,426	785,426
Unearned income (i)	40,000,000	40,000,000
	42,046,053	**42,046,053**

	Consolidated 2009 $	Company 2009 $
Current	2,046,053	2,046,053
Non-current	40,000,000	40,000,000
	42,046,053	**42,046,053**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 28.

(i) Non-current trade and other payables consist of Buru's potential obligation to repay a $40 million gas prepayment made by Alcoa of Australia Limited to ARC Energy Limited prior to the demerger of Buru. ARC Energy Limited entered into a gas supply agreement ("GSA") with Alcoa of Australia Limited in September 2007. The GSA was novated from ARC Energy Limited to Buru as part of the demerger of Buru from ARC Energy Limited. The GSA provides for the delivery to Alcoa of Australia Limited of up to 500 PJ of gas from gas discoveries made by Buru on Buru's Canning Basin permits prior to 1 January 2012. Pursuant to the GSA, Alcoa of Australia Limited made a prepayment to ARC Energy Limited of $40 million for gas to be delivered under the GSA. Buru will be obliged to repay this $40 million in three equal annual instalments commencing on 31 December 2012 if, prior to 1 January 2012, Buru has not made a final investment decision to proceed with a gas development that would allow the supply of sufficient gas to meet its delivery obligations under the GSA. The third instalment may, at Buru's option, be settled by Buru issuing shares in satisfaction of the instalment obligation.

Buru has entered into an escrow agreement with Alcoa of Australia Limited pursuant to which Buru has agreed to hold $20 million plus accrued interest for the benefit of Alcoa of Australia Limited as security against the potential obligation to repay the $40 million (Note 16).

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

26 Group Entities

Parent entity	**Country of incorporation**	**Ownership interest**
Buru Energy Limited (i)	Australia	
Subsidiaries		**2009**
Terratek Drilling Tools Pty Limited	Australia	100%
Royalty Holding Company Pty Limited	Australia	100%

(i) Buru Energy Limited is the head entity of the tax consolidated group. All subsidiaries are members of the tax consolidated group.

27 Interests in Joint Venture Operations

The consolidated entity has an interest in the following joint ventures as at 30 June 2009 whose principal activities were oil and gas exploration.

Permit	2009 Interest	Operator
EP104	38.95%	Buru Energy Ltd
R1	38.95%	Buru Energy Ltd
EP417	35.00%	New Standard Energy Ltd
EP438	5%	Buru Energy Ltd
EP442 *	10.00%	Buru Energy Ltd
EP443 **	10.00%	Buru Energy Ltd
EP448	5%	Buru Energy Ltd
EP450 **	10.00%	Buru Energy Ltd
EP451 **	10.00%	Buru Energy Ltd
EP456 **	10.00%	Buru Energy Ltd

(*) Subsequent to 30 June 2009, Buru Energy Ltd acquired 100% of EP442 from New Standard Energy Ltd. The acquisition is subject to Trident Energy Limited not exercising its pre-emptive right to acquire EP442A. Which will be carved out of EP442 (Note 33)

(**) Sold to New Standard Energy Ltd subsequent to 30 June 2009 (Note 33)

The Company's and Consolidated Entity's interests in assets/liabilities and income/expenditure employed in the above joint venture operations are detailed below. The amounts are included in the financial statements under their respective asset categories.

	Consolidated 2009 $	Company 2009 $
Current assets		
Cash and cash equivalents	463	463
Trade and other receivables	112	112
Total current assets	**575**	**575**
Non-current assets		
Exploration expenditure	633,062	633,062
Total non-current assets	**633,062**	**633,062**
Share of total assets of joint venture operations	**633,637**	**633,637**
Income		
Interest income	1,511	1,511
Total income	**1,511**	**1,511**
Expenses		
Bank charges	(34)	(34)
Total bank charges	**(34)**	**(34)**
Share of net income from joint venture operations	**1,477**	**1,477**

28 Financial Instruments

Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the Group's maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Note	Consolidated Carrying amount 2009 $	Company Carrying amount 2009 $
Trade and other receivables	18	1,571,624	1,587,670
Cash and cash equivalents	20a	58,274,010	58,274,009
Available-for-sale financial assets	16	618,750	618,750
Long-term cash held in escrow	16	20,727,934	20,727,934
		81,192,318	**81,208,363**

The Group's most significant customer, an Australian refiner of crude oil, accounts for $524,517 of the trade and other receivables carrying amount at 30 June 2009. Trade and other receivables also included accrued interest receivable from Australian accredited banks of $334,448.

Impairment losses

None of the Group's receivables are past due or impaired. An impairment loss of $881,250 in respect of available-for-sale financial assets was recognised during the current period due to a sustained and significant decline in the value of the listed investment as quoted on the Australian Stock Exchange.

Liquidity risk

The following are contractual maturities of trade and other payables:

	Carrying amount Consolidated 2009 $	Carrying amount Company 2009 $
0 – 6 months	2,046,053	2,046,053
6 – 12 months	-	-
1 – 5 years (i)	40,000,000	40,000,000
	42,046,053	**42,046,053**

(i) This profile assumes that gas is not delivered to Alcoa of Australia Limited under the GSA.

Currency risk

Exposure to currency risk

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

	30 June 2009 AUD $	30 June 2009 USD $
Cash and cash equivalents	968,138	785,547
Trade receivables	524,517	425,593
Gross balance sheet exposure	**1,492,655**	**1,211,140**

The average exchange rate from AUD to USD during the period was AUD 0.7350 / USD 1.0000. The reporting date spot rate was AUD 0.8114 / USD 1.0000.

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the USD over the period would have increased the loss after tax for the financial period by $309,430. A 10 percent weakening of the Australian dollar against the USD over the period would have decreased the loss after tax for the financial period by $309,430. This analysis assumes that all other variables remain constant.

Interest rate risk

Profile

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

	Consolidated Carrying amount 2009	Company Carrying amount 2009
Fixed rate instruments	$	$
Cash and cash equivalents	58,274,010	58,274,009
Long-term cash held in escrow	20,727,934	20,727,934
Total fixed interest bearing financial assets	**79,001,944**	**79,001,943**

At reporting date, there were no financial instruments with variable interest rates.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Fair values

Fair values versus carrying amounts

The carrying amount of financial assets and financial liabilities recorded in the Group's financial statements represent their respective fair values, determined in accordance with the accounting policies described in Note 3 to the financial statements.

29 Operating Leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated 2009 $	Company 2009 $
Less than one year	194,423	194,423
Between one and five years	486,296	486,296
More than five years	-	-
	680,719	**680,719**

The Group leases a corporate head office in Perth and another premises in Broome under operating leases. The leases expire in August 2013 and February 2010 respectively. Both leases have an option to renew the lease after the expiry dates. Lease payments on the head office in Perth are adjusted every second year to reflect market rentals and every alternate year by an additional 1%.

The Group also leases two production vehicles under operating leases. These leases expire in March 2010 and June 2012.

During the period, the operating leases recognised as an expense was $204,682.

30 Capital and Other Commitments

	Consolidated 2009 $	Company 2009 $
Exploration expenditure commitments		
Contracted but not yet provided for and payable:		
Within one year	31,380,000	31,380,000
One year later and no later than five years	45,270,000	45,270,000
Later than five years	7,050,000	7,050,000
	83,700,000	**83,700,000**

Exploration commitments are reflective of the Group's position after the subsequent event disclosed at note 33. The commitments are required in order to maintain the petroleum exploration permits in which the Group has interests in good standing with the DMP. These obligations may be varied from time to time, subject to approval by the DMP. The commitments also include amounts that the Group have 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.

31 Contingencies

There were no material contingent liabilities or contingent assets for the Company or the Group as at 30 June 2009 or as at the date of the report, other than those disclosed in note 30.

32 Related Parties

Key management personnel compensation

Individual Directors and executives compensation disclosures

Information regarding individual Directors and executive's compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the Directors' report on pages 9 to 11.

Other related party transactions

Streitex Pty Ltd, of which Mr Eric Streitberg is a Director, was paid $60,000 for exploration consulting services during the period. Rates charged were at normal professional rates and have not been included in the remuneration of Directors disclosures as the fees were not in relation to his role as a Director.

Mr Eric Streitberg's son Mr Tom Streitberg has been employed by the Group to provide corporate advice. During the period, he was paid $102,960 in wages plus $9,266 in superannuation. He was also granted 6,000,000 options on the same terms and conditions that were provided to Directors and other employees. The fair value of the options vested during the period totalled to $51,360 or 31.4% of his total remuneration. 2,000,000 of the options had vested at reporting date.

Cash calls were paid to joint venture operations during the period as follows:

R1 Joint Venture	$141,940
EP417 Joint Venture	$2,829,674

33 Subsequent Events

Business Combination

On 11 August 2009, Buru announced that it had entered into an agreement with New Standard Energy Limited which will result in Buru effectively acquiring a 100% interest in Canning Basin permits EP 442, EP 442A, acreage release L08-3 and application area 30/07-8 ("Acacia Permits") subject to the Trident Energy Limited pre-emptive right outlined below.

Buru and New Standard Energy Limited have also agreed to the cancellation of the existing farm-in agreement covering New Standard Energy Limited's wider acreage holdings in the southern Canning Basin. Pursuant to this agreement Buru was obliged to fund certain seismic and exploration drilling costs to earn up to a 75% interest in EP 442, EP 443, EP 450, EP 451 and EP 456. Buru will have first rights of refusal over New Standard Energy Limited's interests in EP 443, EP 450, EP 451 and EP 456 in the event New Standard Energy Limited proposes to farm-out these interests. New Standard Energy Limited will have rights of first refusal over Buru's interests in the Acacia Permits in the event Buru proposes to farm-out its interests in the Acacia Permits.

Trident Energy Limited holds a pre-emptive right over EP 442A. If Trident Energy Limited exercises this right EP 442A will be transferred from New Standard Energy Limited to Trident Energy Limited and no interest in that permit will be acquired by Buru. In that event the total cash payable and shares issued to New Standard Energy Limited by Buru will be reduced by the consideration ascribed to EP 442A. Trident Energy Limited also holds rights to earn up to a 17.5% interest in EP 442A which, if exercised, will reduce Buru's holding in EP 442A to 82.5%. Trident Energy Limited also has a right of first refusal to negotiate the terms of a farm-in agreement in the event that acreage release L08-3 and application area 30/07-8 are granted.

It is expected that this transaction will be completed during August or September 2009.

Buru will effectively acquire the above interest by acquiring New Standard Exploration Pty Ltd, which will hold New Standard Energy Limited's interest in EP 442, EP 442A, acreage release L08-3 and application area 30/07-8. In consideration of the acquisition of New Standard Exploration Pty Ltd, Buru will:

- transfer its 10% interest in EP 443, EP 450, EP 451 and EP 456 to New Standard Energy Limited;
- pay cash consideration to New Standard Energy Limited of $3.2m; and
- issue New Standard Energy Limited with 18 million new Buru shares.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	Pre acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
	$	$	$
Exploration and evaluation expenditure	403,843	6,090,157	6,494,000
Net identifiable assets and liabilities	**403,843**	**6,090,157**	**6,494,000**
Total consideration*			**6,494,000**
Consideration paid in cash			3,200,000
Cash acquired			-
Net cash outflow			**3,200,000**

* Includes cash of $3,200,000, and 18,000,000 shares issued at $0.183 per share. The fair value of the consideration of Buru's 10% interest in EP 443, EP 450, EP 451 and EP 456 is nil.

Pre-acquisition carrying amounts were determined based on applicable AASBs immediately before acquisition. The assets acquired and liabilities and contingent liabilities assumed have been valued at their estimated fair values at the acquisition date.

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

34 Auditors' Remuneration

	Consolidated	Company
	2009	2009
Audit services	$	$
KPMG Australia: Audit and review of financial reports	30,000	30,000

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

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

(a) the financial statements and notes and the Remuneration report in the Directors' report, set out on pages 9 to 11, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance, for the financial period 16 April 2008 to 30 June 2009; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a);

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

2 The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director for the period 16 April 2008 to 30 June 2009.

Signed in accordance with a resolution of the Directors:

Perth, 26 August 2009

Mr Adrian Cook
Managing Director

Mr Graham Riley
Chairman

KPMG

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

Report on the financial report

We have audited the accompanying financial report of Buru Energy Limited (the Company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the period 16 April 2008 to 30 June 2009, a summary of significant accounting policies and other explanatory notes 1 to 34 and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial period 16 April 2008 to 30 June 2009.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Buru Energy Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance for the period ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the period ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Buru Energy Limited for the period ended 30 June 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Brent Steedman
Partner

Perth
26 August 2009

KPMG

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

To: the directors of Buru Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial period 16 April 2008 to 30 June 2009 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Brent Steedman
Partner

Perth
26 August 2009

Schedule of interests as at 30 June 2009

PERMIT	TYPE	OWNERSHIP	OPERATOR	JOINT VENTURE PARTNERS
EP129	Exploration permit	100.00%	Buru Energy Ltd	None
EP371	Exploration permit	100.00%	Buru Energy Ltd	None
EP390	Exploration permit	100.00%	Buru Energy Ltd	None
EP391	Exploration permit	100.00%	Buru Energy Ltd	None
EP428	Exploration permit	100.00%	Buru Energy Ltd	None
EP431	Exploration permit	100.00%	Buru Energy Ltd	None
EP436	Exploration permit	100.00%	Buru Energy Ltd	None
EP438	Exploration permit	5.00%	Buru Energy Ltd	Gulliver Productions Pty Ltd Indigo Oil Pty Ltd
EP448	Exploration permit	5.00%	Buru Energy Ltd	Gulliver Productions Pty Ltd Indigo Oil Pty Ltd Uranium Oil and Gas Ltd
EP104	Exploration permit	38.95%	Buru Energy Ltd	(*)
EP417	Exploration permit	35.00%	New Standard Energy Ltd	New Standard Energy Ltd
EP442 (**)	Exploration permit	10.00%	Buru Energy Ltd	New Standard Energy Ltd
EP442A (****)	Exploration permit	0%	New Standard Energy Ltd	None
EP443 (***)	Exploration permit	10.00%	Buru Energy Ltd	New Standard Energy Ltd
EP450 (***)	Exploration permit	10.00%	Buru Energy Ltd	New Standard Energy Ltd
EP451 (***)	Exploration permit	10.00%	Buru Energy Ltd	New Standard Energy Ltd
EP456 (***)	Exploration permit	10.00%	Buru Energy Ltd	New Standard Energy Ltd
L6	Production license	100.00%	Buru Energy Ltd	None
L8	Production license	100.00%	Buru Energy Ltd	None
R1	Retention lease	38.95%	Buru Energy Ltd	(*)
PL7	Onshore pipeline license	100.00%	Buru Energy Ltd	None

(*) Joint venture partners for the EP104 and R1 permits are Gulliver Productions Pty Ltd, Indigo Oil Pty Ltd, First Australian Resources Ltd, Pancontinental Oil and Gas NL, Emerald Gas Ltd, Phoenix Resources Plc.

(**) Subsequent to 30 June 2009, Buru acquired 100% of EP442 from New Standard Energy Ltd. On completion of this acquisition Buru will become the operator of this permit.

(***) Sold to New Standard Energy Ltd subsequent to 30 June 2009.

(****) Subsequent to 30 June 2009, Buru acquired 100% of EP442A from New Standard Energy Ltd. This acquisition is subject to a pre-emptive right by Trident Energy Limited to acquire 100% of the permit, failing which Trident Energy Limited have a right to earn 17.5% of the permit by paying 25% of the expenditure on geotechnical studies, acquiring 200km of 2D seismic and drilling an exploration well. On completion of this acquisition Buru will become the operator of this permit.

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

Shareholdings (as at 24 August 2009)

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Number
ARC Energy Limited	24,316,543
Birkdale Enterprises Pty Ltd	18,745,560
Trojan Equity Limited	13,500,000

Voting rights

Ordinary shares

Refer to note 21 in the financial statements

Options

There are no voting rights attached to the options.

Distribution of equity security holders

	Number of equity security holders	
Category	**Ordinary shares**	**Listed options**
1 - 1,000	2,381	5,729
1,001 - 5,000	4,373	3,382
5,001 - 10,000	1,217	428
10,000 - 100,000	1,172	324
100,000 and over	142	53
	9,285	**9,916**

The number of shareholders holding less than a marketable parcel of ordinary shares is 4,861 and listed options is 9,850.

Securities Exchange

The Company is listed on the Australian Securities Exchange.

ASX Code: BRU: Listed ordinary shares

BRUO: Listed options over ordinary shares

Other information

Buru Energy Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

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Twenty largest shareholders as at 24 August 2009

Rank	Name	Number	%
1	ARC ENERGY LIMITED	24,316,543	15.00%
2	BIRKDALE ENTERPRISES PTY LTD	18,745,560	11.56%
3	TROJAN EQUITY LIMITED	13,500,000	8.33%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	4,171,103	2.57%
5	PIAT CORP PTY LTD	3,100,000	1.91%
6	UBS NOMINEES PTY LTD	2,775,554	1.71%
7	AEGIS EXPLORATION PTY LTD	2,204,334	1.36%
8	MR GRAHAM DOUGLAS RILEY & MRS ANNE MARIE RILEY	2,000,000	1.23%
9	ROCKET SCIENCE PTY LTD	1,500,000	0.93%
9	MRS JIRACHAYA CHARNCHAYASUK	1,500,000	0.93%
11	MR ERIC CHARLES STREITBERG	1,285,135	0.79%
12	JH NOMINEES AUSTRALIA PTY LTD	1,224,500	0.76%
13	YORK HOUSE PTY LTD	1,062,883	0.66%
14	TOLTEC HOLDINGS PTY LTD	788,713	0.49%
15	FORTIS CLEARING NOMINEES P/L	720,145	0.44%
16	OLLD PTY LTD	700,000	0.43%
17	LIBBIT HOLDINGS PTY LTD	625,000	0.39%
18	IRONSIDE PTY LTD	609,885	0.38%
19	FINORB PTY LTD	600,000	0.37%
20	MR DAVID JOHN MASSEY	550,000	0.34%
	TOTAL	**81,979,355**	**50. 57%**
	Balance of Register	**80,140,373**	**49.43%**
	Grand TOTAL	**162,119,728**	**100.00%**

Buru Energy

www.buruenergy.com