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ASX Announcement

29 August 2013

Full Year Statutory Accounts

Please find attached Buru Energy Limited's (**"Buru"**) audited full year statutory accounts for the financial year ended 30 June 2013.

These full year statutory accounts and further information on Buru are available at: www.buruenergy.com

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Buru Energy Limited

ABN 71 130 651 437

Directors' Report and Financial Statements

For the year ended 30 June 2013

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The Company's activities during the financial year were exploration and development of its petroleum exploration permits and licences in the Canning Superbasin in the northwest of Western Australia. The program included the initial development and production testing of the Ungani Oilfield and the continued appraisal of the large wet gas resources identified in the Laurel Formation.

The Company also restructured its technical, commercial and operational capabilities to allow it to complete the development of the Ungani Oilfield, the appraisal and development of the Laurel wet gas accumulation, and the exploration of its extensive acreage portfolio in a safe, efficient, and cost effective manner.

During the financial year, Buru entered into an agreement with the Western Australian State Government (State Agreement) to provide long term tenure over the Company's most prospective acreage and facilitate the development of a domestic gas project and pipeline, once sufficient gas reserves are identified. The State Agreement was passed by both houses of WA Parliament, given Royal Assent and has become an Act of Parliament on 26 June 2013.

Relationships with the Traditional Owners of the lands where Buru operates were also strengthened with further engagement and involvement of these groups in Buru's operations.

Production and Development

Ungani Field

The Ungani Field initial cleanup flow production test continued during the financial year and the Field was shut-in as planned in February 2013. Oil production was curtailed several times during the year due to transport and weather limitations. Production from the Field gave significant encouragement as to its commercial viability.

Production from the Field during the flow period was as follows:

	Ungani 1ST1	Ungani 2	Field Total
Production (bbls) of Oil	12,861	87,734	100,595

Buru's initial volumetric estimates of recoverable resources for the Ungani Field were between 5 and 20 million barrels. These volumes were calculated from Buru's interpretation of the existing sparse 2D seismic data and Buru's interpretation of the reservoir data from the Ungani 1 and 2 wells. An independent estimate by RISC, using probabilistic methods on the basis of the currently available volumetric data, including RISC's mapping of the existing sparse 2D seismic data, and their interpretation of the petrophysical data from the wells, assigned a gross 2C contingent resource of 9.9 million barrels to the Field (Buru interest 50%). RISC's independent analysis supports the mid case resource range estimated by Buru and leaves the upside case to be determined by additional seismic data and appraisal wells. Advice from RISC and other independent reservoir engineers is that quantification of the upside of the Field will now require wells to be drilled to intersect the reservoir outside the radius of investigation of the existing wells.

The joint venture is currently undertaking detailed planning for the full development of the Field, with a target of producing up to 3,000 bopd during 2014, increasing to over 5,000 bopd by the end of 2014 as additional production wells are drilled and export facilities commissioned. Continued activity was undertaken on planning for an alternative export route for oil from the Ungani Field. During the initial testing period, the produced oil was trucked to Kwinana and sold to the BP refinery where it was used to produce fuel for Western Australian consumption. Review of alternative export routes in the northwest is on-going with the objective of having an alternative export system available during 2014 when the field is producing at higher rates.

The Ungani 3D seismic survey was recommenced after completion of negotiations with the Traditional Owners of the area and this survey will provide valuable data to determine the areal extent and structural form of the Field and will assist in determination of resource volumes and placement of future production wells.

The final development plan is expected to be approved by the joint venture in early 2014 with the objective of a phased start-up of the field leading to full production during 2014.

Negotiations with the Traditional Owners in the area continued with the objective of reaching appropriate agreements in line with the field development timetable.

Blina and Sundown

Oil sales from the Company's Blina and Sundown oilfields, in the L6 and L8 production licences, averaged approximately 34 bopd before the Fields were shut-in in January 2013 due to weather and operational constraints. A review is being undertaken to consider options to maximise the value from these Fields.

Drilling

During the financial year the Company drilled the Yulleroo 3, Asgard 1, Ungani North 1 and Yulleroo 4 wells and participated in the drilling of the Cyrene 1.

Yulleroo 3

The Yulleroo 3 well is located in Exploration Permit EP 391 some 80 kilometres to the east of Broome. Buru and Mitsubishi each have a 50% interest in this well and in EP 391, with Mitsubishi contributing 80% of the cost of the well under the terms of its farm-in agreement with Buru.

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

There was also a good stratigraphic correlation with the Laurel section in Yulleroo 1, about two kilometres away, which provides confidence in the continuity of the reservoir section across the greater Yulleroo structure, and hence the volumes of gas in the structure.

Asgard 1

The Asgard 1 well is located in Exploration Permit EP 371 some 180 kilometres to the southeast of Derby, and 30 kilometres northeast of Noonkanbah Station. Buru and MC each have a 50% interest in this well and in EP 371, with MC contributing 80% of the cost of the well under the terms of its farm-in agreement with Buru.

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

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

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

Ungani North 1

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

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

Ungani North 1 was the first well drilled to follow up the Ungani oil discovery, and encountered a thicker sealing shale over the Ungani Dolomite oil zone than is present at Ungani, and what is interpreted to be an oil column of approximately 46 metres at the top of a much thicker dolomite reservoir section than is present at Ungani.

The reservoir in Ungani North 1 does not have as well developed vugular porosity as the reservoir in Ungani, such that flow rates are likely to be lower than in Ungani. However, flow testing is required to determine the rate, with even low rates being commercially attractive given its proximity to the Ungani infrastructure, some six kilometres away.

The Ungani North 1 well has confirmed the geological model for the area and substantially de-risked the other Ungani Dolomite oil prospects in the trend.

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

The well was completed to total depth with 7 inch casing and the evaluation and testing program is under review.

Yulleroo 4

The Yulleroo 4 well is located in Exploration Permit EP 436. Buru and MC each have a 50% interest in the well and in EP 436, with MC contributing 80% of the cost of the well under the terms of its farm-in agreement with Buru. The well is located some 80 kilometres to the east of Broome and is some eight kilometres from the Great Northern Highway along the all-weather Yulleroo access road.

The Yulleroo 4 well was drilled using Ensign Rig #32, on was completed on budget and on time. Logging was completed as planned, and included the acquisition of a comprehensive suite of rotary sidewall cores to enable detailed reservoir property analysis.

The results of the well are particularly encouraging. Gas shows were encountered over a total interval of some 1,686 metres, from 2,160 metres drill depth in the Lower Anderson Formation down to total depth in the Lower Laurel Formation. Importantly, sands with good gas shows were still being encountered at the planned total depth of 3,800 metres, resulting in the well being deepened to a total depth of 3,846 metres.

The main Yulleroo Gas Sands were encountered as prognosed some 200 metres down dip from the intersection of these sands in Yulleroo 3. The top of the overpressured section was encountered at approximately the same depth as in Yulleroo 3, with gas wetness ratios similar to those seen in the other Yulleroo wells and in the Valhalla region, giving confidence that the Yulleroo accumulation is part of the regionally extensive Laurel Formation BCGS.

The Yulleroo 4 well was designed to test the reservoir development and gas column extent of the Yulleroo wet gas accumulation. Buru's interpretation, based on the 3D seismic data acquired over the Yulleroo area in 2010, is that Yulleroo 4 has been drilled on the limits of the main field structural closure at the Yulleroo Gas Sands level. There is no clearly defined top seal present in any of the wells drilled on the Yulleroo accumulation, however, all of the Yulleroo wells demonstrate a transition into overpressured gas at similar depths, and reached total depth in gas shows. Buru considers that these consistent results, confirmed by Yulleroo 4, demonstrate that the Yulleroo wet gas accumulation is part of the broader Laurel Formation BCGS.

RISC also completed an independent review of the Laurel Formation BCGS in the whole of Buru's permits in the Canning Superbasin. As part of that review, RISC estimated that the BCGS in the Yulleroo area could hold, net to Buru, over 6 TCF of recoverable gas resources with over 160 million barrels of associated condensate, and additional similar quantities of LPG's which were not included in this estimate.

Confirmation of this potential by the Yulleroo 4 well is important in the context of the significant broader regional potential of the Laurel Formation BCGS. The trial reservoir stimulation of the Yulleroo 2 well in 2010 demonstrated that the Yulleroo Gas Sands are capable of flowing gas at significant rates with very low CO_2 content and associated high liquids content. This illustrates the potential of the BCGS to flow good quality gas after only a very small reservoir stimulation operation on a restricted number of zones in a vertical well.

Cyrene 1

The Cyrene 1 well was drilled in the EP 438 permit by Key Petroleum as operator for the well to test a conventional oil target in the Willara Formation carbonates. More significantly, the well was designed to core and evaluate the Goldwyer Shale. The Goldwyer Shale has significant unconventional prospectivity for oil and wet gas and was identified by the US Energy Information Agency in April 2011 as the major unconventional play in the Canning Superbasin with prospective resources of 229 TCF of gas and multi billion barrel oil potential.

The Goldwyer Shale was encountered as prognosed in the Cyrene 1 well and several cores were taken through the section. Strong indications of oil were noted in the Cyrene cores, consistent with Buru's interpretation that the Goldwyer Shale is in the oil window at the Cyrene location. In other areas of Buru's permits the Goldwyer Shale is buried deeper than at the Cyrene location and is interpreted to be in the wet gas window.

The Cyrene cores are now being analysed for organic carbon content, oil generative capacity and maturity for hydrocarbon generation, and will provide a valuable modern data set to complement Buru's existing extensive data set for the Goldwyer Shale. This most recent data will be incorporated into Buru's regional evaluation of the Goldwyer Shale which will assist in planning future activity in this highly prospective area.

The conventional oil target in the Willara Formation carbonates was encountered as prognosed, but no flow was obtained from a drill stem test.

Other Exploration

Yakka Munga and Asgard 2D Seismic Surveys

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

Ungani 3D Seismic Survey

Acquisition of the Ungani 3D seismic survey by Terrex Seismic originally commenced on 22 October 2012. On 25 October 2012 a possible heritage disturbance was formally reported to Buru by KRED Enterprises on behalf of the Nyikina Mangala Traditional Owners. This was in a small area of the survey where line preparation had been completed but seismic data acquisition had not yet commenced. After careful consideration of the matter, the decision was taken to demobilise the Terrex seismic crew.

Following extensive consultation and negotiations between Buru and representatives of the Nyikina Mangala and Karajarri Traditional Owners, Buru and the Nyikina Mangala and Karajarri Traditional Owners reached an agreement which provided a process by which Buru and the relevant Traditional Owners may engage, in relation to Buru's activities in the Canning Basin, and in relation to the recommencement of Buru's exploration program, on certain terms.

As a result of this agreement, field activity in the Ungani area was recommenced with line clearing operations commencing after the end of the financial year and data acquisition planned to commence in in August 2013.

Corporate

Acquisition of New Acreage and Capital Raising

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

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

The Acquisitions were funded by a fully underwritten placement of new shares to institutional investors to raise $40 million (before costs). The Institutional Placement was conducted via a variable price bookbuild, at a final price of $2.75 per share, a 3.5% discount to the last closing price on 25 September 2012. The bookbuild was significantly oversubscribed. Under the Institutional Placement, Buru issued 14,545,455 shares, representing some 5.8% of the Company's current issued capital at the time.

Subsequent to this acquisition Buru, MC and Rey entered into a transaction pursuant to which Buru sold a portion of its interests in Exploration Permits EP 457 and EP 458 (Fitzroy Blocks) in the Canning Superbasin to MC and Rey for a total cash payment to Buru of $21.1 million.

In March 2013, GNOL was converted to a proprietary limited company and renamed Buru Fitzroy Pty Ltd.

Following the conclusion of the transaction the interests in the Fitzroy Blocks are:

- Buru 37.5% (Operator)
- MC 37.5%
- Rey 25.0% (10% Free Carry)

The cash paid to Buru by MC and Rey to acquire these interests was on the same pro-rata basis as Buru paid to originally acquire its interests in the Fitzroy Blocks in October 2012, and Buru has received the payment in full from MC and Rey.

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

Execution of State Agreement

During the financial year, Buru entered into an agreement with the Western Australian State Government (State Agreement) to provide long term tenure over the Company's most prospective acreage and facilitate the development of a domestic gas project and pipeline, once sufficient gas reserves are identified. The State Agreement was passed by both houses of WA Parliament, given Royal Assent and has become an Act of Parliament on 26 June 2013.

The State Agreement is unique, being the first State Agreement covering onshore exploration and development, recognising the unique scale, prospectivity and strategic importance of Buru and MC's permits in the Canning Superbasin. The State Agreement governs the exploration of the permits and associated development activities for at least 25 years, subject to certain rights of termination able to be exercised by the State, Buru and Mitsubishi. The State Agreement provides for each of the permits covered by the agreement to be exempted until 31 January 2024 from the regulatory requirement to periodically relinquish 50% of the area of the permits, subject to meeting the exploration, appraisal and development obligations under the State Agreement. This provides Buru and Mitsubishi with a significant extension to the existing permit terms in which to explore, appraise and develop this highly prospective area. Work programs will be able to be optimised by the flexibility given by the State Agreement to credit gas appraisal work on adjacent permits against ongoing statutory work commitments.

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

Under the State Agreement, the partners continue to be required to obtain all relevant State and Commonwealth environmental, safety, Aboriginal heritage and Native Title approvals for their exploration, development and infrastructure proposals.

Extension of Gas Supply Agreement with Alcoa

In the December quarter 2012, Alcoa of Australia Limited (Alcoa) agreed to further extend the Gas Supply Agreement between Buru and Alcoa (GSA) for a further year. Buru had previously entered into an escrow agreement with Alcoa pursuant to which Buru has agreed to hold $20 million plus accrued interest for the benefit of Alcoa as security against the potential obligation to repay a $40 million gas prepayment if an FID decision to develop the gas reserves to supply gas to Alcoa was not taken.

In August 2013, Buru and Alcoa entered into an agreement for up to $20 million of the escrowed funds to be applied to fund the next phase of the appraisal program for the Laurel Wet Gas accumulation. The remaining funds will be retained in the escrow account. As part of this agreement, Alcoa has the right to extend the gas sales contract FID date on an annual basis until 1 January 2018.

If the FID Date is extended in accordance with the abovementioned right and an FID decision is not reached, Buru will be obliged to repay the $40 million gas prepayment in three tranches on 31 December 2018, 31 December 2019 and 31 December 2020 respectively. If Buru is required to repay the $40 million, there is no interest obligation. The option to make the third payment in Buru shares which was contained in the previous agreement, no longer exists. *Strengthening of Senior Management Team and Board*

During the financial year Buru undertook a significant restructure and strengthening of the Company's senior management team to ensure the Company is effectively resourced for the next stage of growth. To facilitate and manage the Company's growth, and continue to capture future opportunities to add value for shareholders, the Board undertook a systematic review of the senior management structure of the Company to ensure appropriately skilled and experienced staff are in place.

Dr Keiran Wulff agreed to join the Company's Board as a Non-executive Director with effect from 19 October 2012 and subsequently was appointed as the Company's Managing Director with effect from 14 January 2013, with Mr Eric Streitberg continuing in the role of Executive Director. As Managing Director, Dr Wulff has responsibility for the Company's day to day operations and for delivery of a forward program to deliver value from the Company's asset portfolio. Dr Wulff's key focus is on the near term commercialisation of the Ungani Oilfield and exploration of the Ungani oil trend, and on the continued development of the very significant potential of the Company's gas resources. He has also been building the Company's organisational strength to ensure the Company has the internal capability to deliver on its strategic objectives. Mr Chris Bath has been appointed as the Company's Chief Financial Officer. He is a Chartered Accountant and a Member of the Australian Institute of Company Directors. Mr Bath was also appointed as Company Secretary, with effect from 1 November 2012. Mr Trevor Shortt joined Buru from Central Petroleum as General Manager Exploration. He is a Canadian national who has a wealth of tight gas experience which is particularly relevant to the evaluation of the Laurel tight gas potential.

Other significant appointments during the year included General Manager Commercial, Bill Williams; Chief Scientist, Damian Ogburn; and General Counsel, Lauren West. The Company's petroleum engineering and geoscience capabilities have also been enhanced, as well as the restructuring the drilling, health and safety and environment teams to ensure the next phase of drilling and development is properly resourced and delivered. The development of a well rounded and first class management team is an important part of Buru's transition into a leading Western Australian oil and gas producer.

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

Strategy

Buru's goal is to deliver material benefits to its shareholders, the Kimberley community and the Traditional Owners of the areas in which it operates by successfully exploring for and developing the petroleum resources of the Canning Superbasin.

To achieve its goals, Buru has adopted the following commercial objectives / strategy:

- apply appropriate and innovative techniques and strategies to explore and develop the petroleum resources of its exploration portfolio so that shareholder's funds are used only for those activities that provide the highest rewards at the lowest cost;
- achieve technical, operational, commercial, safety and environmental excellence in its activities;
- high-grade its exploration portfolio to ensure that exploration in the near term is focused on prospects that have the highest potential for early commercialisation and can therefore provide operational cash flow to "bootstrap" further exploration and development activity;
- fully develop its technical data-base and technical understanding of its exploration portfolio;
- drill prospects that are rigorously technically controlled and that have a high chance of commercial success;
- achieve cost-effective drilling operations by ensuring contractor alignment with Buru's objectives and cost targets; and
- ensure the early commercialisation of any hydrocarbons it finds.

The Group's strategy is to progress the development of the Ungani Oilfield into full scale production, to complete an appraisal program of the Laurel Wet Gas project, and to recommence an active seismic and drilling exploration program for conventional oil prospects, with an initial focus on the Ungani oil trend.

Risks

The key risks to the Company's strategies are set out below. The Company considers that it can appropriately manage these risks without any material adverse effect on the Company's operating position and/or balance sheet.

- Frontier Exploration - Buru is exploring in a frontier basin, meaning its exploration program is high-risk, high-reward. While this has been de-risked to some extent due to Buru's significant recent successes, an unsuccessful exploration program may potentially compromise its ability to raise further capital for exploration if this is required.

- Availability of services - Australia does not have a robust land rig market, which in many cases may lead to delays in the Company's work programs. This risk has been reduced given Buru's arrangement with Advanced Energy Services Pty Ltd for the supply of a modern fit for purposes drilling rig. Operators in

Western Australia also may face difficulties in mobilising hydraulic stimulation equipment when required. Buru is negotiating alliances with service providers to reduce this risk to as low as practicable.

- Weather - Heavy rainfall associated with the Kimberley's monsoonal wet season (December to March) can isolate sections of the road network in the Canning Superbasin, restricting access and hampering preparations for the drilling season. Buru is able to conduct operations during the wet season in certain areas where access is available year round.

- Hydraulic stimulation - Hydraulic stimulation may form a significant part of the appraisal and development of Buru's unconventional resources. There has been significant public debate over potential environmental risks associated with hydraulic stimulation. Many of the concerns that have been raised with respect to hydraulic stimulation relate to coal seam gas exploration and are less relevant to hydraulic stimulation of shale and tight gas resources in the Canning Superbasin. Buru has undertaken careful review of the concerns raised in regard to these activities and is confident it can undertake them with no harm to the environment.

- Traditional Owners – The Company's exploration permits are located in the Kimberley region of Western Australia and overlap lands that are subject to native title claims (both determined and undetermined). Before any exploration activities can be undertaken by Buru, the Company is required to obtain heritage clearances from the relevant native title holders or claimants to ensure that no Aboriginal sites will be interfered with by the proposed activities. Although the Company has a strong relationship with the various Traditional Owner groups and their representative bodies, there are often lengthy delays associated with this process, due to weather, availability of Traditional Owners and representative body staff, and the number of clearances requested by other operators.

- Regulatory Approvals – Operating onshore Western Australia requires a large range of approvals (depending on the particular activity) from a number of government agencies including the Department of Mines and Petroleum, Department of Environment Regulation, Department of Water, and the Environmental Protection Authority (depending on the impacts of the activity). It is possible that Buru may experience delays in the receipt of approvals from the relevant agencies which can have an adverse impact on the company's ability to plan and undertake activities in the Canning Basin.

The Directors present their report together with the consolidated financial statements of the Group comprising Buru Energy Limited ("**Buru**" or "**Group**") and its subsidiaries for the financial year ending 30 June 2013, and the auditor's report thereon. The remuneration report for the year ended 30 June 2013 on pages 26 to 32 forms part of the Directors' report.

Directors

The Directors of the Company at any time during or since the end of the financial year are:

Name, qualifications and independence status	**Experience, special responsibilities and other directorships**
Mr Graham Riley, BJur LLB Chairman Independent Non-executive Director	Mr Riley is a qualified legal practitioner having gained his Bachelor of Law and Bachelor of Jurisprudence Degrees. After 10 years of 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. He is currently the Chairman of Entek Energy Limited. Prior to their takeovers, he was the Chairman of Giralia Resources NL from 1998 until March 2011 and of Red Hill Iron Limited from 2005 to 2008. He is currently a Non-executive Director of Gascoyne Resources Limited. He was a Non-executive Director of Adelphi Energy Limited from 2005 until 2010, ARC Energy Limited from 1993 to 2005 and Target Energy Limited from 2011 to 2012. Mr Riley is a Member of the Audit and Risk Committee and the Remuneration and Nomination Committee. He has been a Director since May 2008 and was appointed Chairman in March 2009.
Dr Keiran Wulff, PhD Managing Director	Dr Wulff has worked in the oil and gas industry for over 25 years. He brings extensive and highly relevant experience to the Company. In particular he spent 17 years with Oil Search Limited and was intimately involved in the development of that company from an exploration company to a major oil and gas production company. During that time Dr Wulff contributed to all aspects of Oil Search's development, in roles including Exploration Manager, Group Chief Operating Officer and Head of the Middle East business unit. Dr Wulff has also established an unlisted company operating in developing countries which focuses on the development of power projects with strong ties to local social development and sustainability. Dr Wulff was appointed as a Non-executive Director on 19 October 2012 and subsequently Managing Director on 14 January 2013.
Mr Eric Streitberg, BSc (App Geoph) Executive Director	Mr Streitberg has approximately 40 years' experience in petroleum geology and geophysics, oil and gas exploration and oil and gas company management. He was a founding shareholder and 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 on the Board, and immediate past chair of the Australian Petroleum Production and Exploration Association and is the immediate past Chair of the Marine Parks & Reserve Authority of Western Australia. He was also a Non-executive Director of Adelphi Energy Limited from 2005 until 2010. Mr Streitberg has been a Director since October 2008.

The Hon. Peter Jones AM

Independent Non-executive Director

The Hon. Mr Jones was a member of the Western Australian Parliament from 1974 to 1986 during which time he served as the Minister for Resources Development, Mines, Fuel and Energy. He was the founding Chairman of ARC Energy Limited and Chairman of AMMTEC Limited. He previously served as the Chairman of Defence Housing Australia and the Water Corporation of Western Australia.

The Hon. Mr Jones is the Chairman the Remuneration and Nomination Committee and has been a Director since October 2009.

Mr Austin Miller

Independent Non-executive Director

Mr Miller holds degrees in Geology and Law, and has completed an MBA at the University of Melbourne. Mr Miller has worked for over 20 years in the energy sector. More recently his career has focused on the corporate side of the business including capital markets, M&A and strategy development and implementation. He has held senior investment banking positions specialising in the energy sector with Merrill Lynch and HSBC James Capel and most recently was Executive General Manager Investment and Strategy at Oil Search Limited, where he also took on broad responsibility for business and commercial development in addition to managing the execution of a number of significant capital raisings.

Mr Miller is the Chairman of the Audit and Risk Committee and has been a Director since November 2012.

Company Secretaries

Mr Chris Bath

Mr Chris Bath is a Chartered Accountant and a Member of the Australian Institute of Company Directors. Mr Bath was appointed as Company Secretary, with effect from 1 November 2012. He is currently the Company's Chief Financial Officer.

Mr Tom Streitberg

Mr Tom Streitberg, BA, LLB, FFin, was appointed to the position of Company Secretary in December 2009 and resigned on 1 March 2013.

Mr Shane McDermott

Mr Shane McDermott, CA, ACIS, BComm (Accounting and Finance) was appointed as Joint Company Secretary on 1 December 2011 and resigned on 1 November 2012.

Directors' Meetings

The number of Directors' meetings and the number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Number of Meetings Eligible to Attend	Number of Meetings Attended
Mr G Riley	13	13
Dr K Wulff	9	9
Mr E Streitberg	13	12
The Hon. P Jones AM	13	12
Mr A Miller	8	8

Both the Remuneration and Nomination Committee and the Audit and Risk Committee met five times during the year and all members eligible to attend participated in all five meetings.

Principal Activities

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

Review of Operations

The review of operations during the financial year ended 30 June 2013 is set out on pages 3 to 10 and forms part of this Directors' Report.

Operating Results

The consolidated loss of the Group after providing for income tax was $17,417,000 (30 June 2012: loss of $5,506,000).

Financial Position

The net assets of the Group totalled $128,568,000 as at 30 June 2013 (30 June 2012: $109,538,000).

Dividends

The Directors do not propose to recommend the payment of a dividend for the period. 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 Group occurred during the period other than already referred to elsewhere in this report.

After Balance Date Events

On 8 August 2013 Buru announced that the Company had secured a funding package which will provide it with the capital to progress the development of the Ungani Oilfield into full scale production, to complete an appraisal program of the Laurel Wet Gas project, and to recommence an active seismic and drilling exploration program for conventional oil prospects, with an initial focus on the Ungani oil trend. Buru has also contracted a state-of-the-art Huisman LOC 400 drilling rig to support this work program.

The components of this funding package are as follows:

- Mitsubishi Corporation has agreed to provide Buru with up to $27.5 million to contribute to Buru's share of costs for the development of the Ungani Oilfield through the acceleration of the major project infrastructure support payments under the 2010 farm-in agreement between Buru and Mitsubishi. The funding is subject to formal documentation of the agreement and a FID decision on the development of the Ungani Oilfield which is expected to be achieved in early 2014.
- NAB has been mandated as Sole Lead Financier to arrange and provide a USD denominated debt facility to the Ungani Oilfield development. The NAB mandate provides a Reserve Base Loan Facility of up to US$40 million. Buru has received a Term Sheet from NAB on acceptable terms and expects that a binding commitment will be received in due course on the same basis.
- Alcoa has agreed to release up to $20 million for funding of Buru's share of the proposed Laurel Wet Gas accumulation appraisal program. These funds are currently held in escrow and form part of the $40 million gas prepayment monies advanced to Buru under the Alcoa gas sales contract.
- Buru undertook an equity raising to contribute funding for exploration and general working capital. The equity raising was a combination of an underwritten $35 million Institutional Placement, and a non-underwritten Share Purchase Plan (which is capped at $5 million). The Institutional Placement priced at $1.65 per share, an 8.8% discount to the 5-day VWAP of $1.81. The bookbuild was supported by new

and existing Buru shareholders and closed multiple times oversubscribed. 21.3 million new shares were issued. The SPP will close on 6 September 2013.

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

Likely Developments

The Group's likely developments in its operations in future financial years and the expected results of those operations have been included generally in the Review of Operations. Other than as disclosed elsewhere, disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed.

Environmental Regulations

The Group is subject to environmental regulation under relevant Australian and Western Australian legislation in relation to its oil and gas exploration and production activities, particularly with the DMP and the Western Australian Department of Environment Regulation ("**DER**"). 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.

Directors' Interests

The relevant interest of each Director in the shares or options issued by the Company, as notified by the Directors to the ASX in accordance with s205G(1) of the *Corporations Act 2001*, at the date of this report are as follows:

Director	Ordinary shares	Unlisted options
Mr G Riley	3,000,000	-
Dr K Wulff	-	-
Mr E Streitberg	28,700,566	-
The Hon. P Jones AM	248,277	-
Mr A Miller	1,625,132	-
Total	**33,573,975**	**-**

Share Options and Share Appreciation Rights

At the date of this report, the unissued shares of the Company under option are as follows:

Date of Expiry	Exercise Price	Number of shares under Option
31 December 2013	$1.24	947,000
31 December 2014	$4.04	1,339,800
31 December 2014	$4.13	180,000
Total		**2,466,800**

All unissued options are over ordinary shares in the Company. All options expire on the earlier of their expiry date or within 30 days from termination of the employee's employment. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

There were no options granted to Directors during or since the end of the financial year. During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following senior executives as part of their remuneration.

	Number of options granted	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	Number of options vested
Executives						
Mr T Streitberg	180,000	30 Nov 12	0.81	4.13	31 Dec 14	180,000
Mr C Bath	530,000	1 Oct 12	0.93	4.04	31 Dec 14	530,000
Ms L West	90,000	1 Oct 12	0.93	4.04	31 Dec 14	90,000

During the reporting period, the following shares were issued on the exercise of options previously granted as compensation:

	Number of options exercised	Exercise Price ($/share)	Number of shares issued
Directors			
Mr E Streitberg	1,080,000	0.48*	888,778
	2,500,000	1.03*	1,550,162
	2,500,000	1.12*	1,467,167
	2,500,000	1.20*	1,393,393
Executives			
Mr T Streitberg	1,050,000	0.48*	864,090
	396,000	1.24*	214,870
Ms M Malaxos	100,000	1.86	100,000
	220,000	1.86*	43,131
Ms L West	170,000	0.75	170,000

* These options were exercised via the cashless exercise mechanism.

The cashless exercise mechanism was approved by shareholders at the Company's Annual General Meeting held on 30 November 2012. This mechanism enables employees who hold options over shares in the Company to elect to exercise vested options by receiving shares equal to the value of the positive difference between the exercise price and the share price at exercise. The share price used for the calculation of the number of shares issued under the cashless exercise mechanism is the average market price of the shares (weighted by reference to volume) sold in the ordinary course of trading on ASX during the five trading days before the date on which the holder exercises its options. The cashless exercise of options mechanism results in less shares being issued upon exercise of existing options, to the benefit of shareholders, with less dilution of their own shareholdings.

There are no amounts unpaid on the shares issued as a result of the exercise of options in the 2013 financial year.

Details of the Share Appreciation Rights ("**SARs**") issued to Directors and senior executives during the reporting period and details on SARs that vested during the reporting period are as follows:

		Number of SARs granted	Grant date	Fair value per option at grant date ($)	Exercise price per SAR ($)	Expiry date	% of SARs vested	% of SARs forfeited	Financial years in which grant vests
Directors									
Dr K Wulff	2013	1,000,000	14 Jan 13*	0.23*	3.79	30 Jun 16	0%	0%	2015
		1,500,000		0.17*	5.06		0%	0%	2016
Executives									
Mr B Williams	2013	200,000	7 Dec 12	1.10	4.00	30 Jun 16	0%	0%	2014
		250,000		1.05	4.25		0%	0%	2015
		300,000		1.01	4.50		0%	0%	2016

* The SARs issued to Dr K Wulff are subject to shareholder approval which will be sought at the Company's next Annual General Meeting. The SARs have therefore been provisionally valued using the company's share price on 30 June 2013. If approval is obtained, the AGM date will become the grant date, at which point the fair value of these SARs will be revalued in accordance with AASB 2.

Further details on the unlisted options and SARs are included in the Remuneration Report on pages 26-32.

Indemnification and Insurance of Officers

The Company has agreed to indemnify all current Directors and officers of the Company and its controlled entities against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

During the financial year the Company has paid insurance premiums of $62,800 (2012: $41,009) in respect of Directors' and officers' liability, for current and former Directors and officers, including senior executives of the Company and Directors and secretaries of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

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 audit, half year review and joint venture audits. During the year, the amount paid or payable to the Group's auditor (KPMG Australia) for statutory and other audit and review services totalled to $94,250 (2012: $70,400).

Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 33 and forms part of the Directors' Report for the financial year ended 30 June 2013.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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

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Mr Eric Streitberg
Executive Director
Perth
29 August 2013

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Mr Graham Riley
Chairman
Perth
29 August 2013

This statement outlines the main corporate governance practices in place during the financial year. The Company's corporate governance practices comply with the ASX Corporate Governance Principles and Recommendations ("**ASX Recommendations**"), unless otherwise stated.

Board of Directors

The respective roles and responsibilities of both the Board and management are set out in the Board charter which can be viewed in the corporate governance section of the Company's website www.buruenergy.com.

Roles and Responsibilities of the Board and Senior Executives (ASX's Recommendation 1.1, 1.2 & 1.3)

The Board is collectively responsible for the governance of the Company and for promoting its success. The Board's primary purpose is to govern the Company on behalf of all shareholders. The Board's specific job outputs are to maintain a link between the Company's shareholders and its operations 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 Company's strategic direction and objectives and for setting limitations on the means by which management may achieve those objectives. Limitations on management are primarily imposed by approved corporate strategy and expenditure limits. 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. The Board monitors and maintains this delegation by requiring regular reporting by management to the Board.

The Board delegates a portion of its authority through management limitations, policies and holding the Chairman accountable. It also recognises in its policies, strategic direction and setting of objectives for management, its accountability to legal and ethical obligations and its broader responsibility to non-equity stakeholders and the community.

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 Board collectively.

A Director or other officer of Buru who makes a business judgment will have met the requirements as a Director of Buru 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.

The Board has developed a division of authority between the Chairman of the Board and the Managing Director which delineate the roles and responsibilities of each position. Senior executives are responsible for supporting the Managing Director and assisting him with the management of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chairman.

Board Processes (ASX's Recommendation 2.4, 4.1 & 8.1)

Full Board meetings are conducted in accordance with the Company's constitution at least nine times a year, but generally monthly, at venues, dates and times agreed, where practical, in advance. In accordance with the constitution, a Chairman has been appointed and the quorum for a meeting is two Directors. To assist in the execution of its responsibilities, the Board has established an Audit and Risk Committee and a Remuneration and Nomination Committee. Further details on both Committees are included later in this Corporate Governance Statement.

The agenda for each Board meeting is developed by the Company Secretary in consultation with the Managing Director and is approved by the Chairman. Board papers are distributed to Directors at least three business days before the meeting, unless the meeting has been called urgently. Board papers contain the information required for the Directors to make informed decisions in the efficient discharge of their responsibilities. The minutes of Board meetings are circulated, approved and signed by the Chairman within fourteen days of the date of the meeting.

Urgent matters that cannot wait until the next scheduled Board meeting and for which an impromptu Board meeting cannot be arranged are dealt with by a circular resolution in accordance with Buru's Constitution (Article 11.22). Circular resolutions are normally preceded by telephone or email correspondence if practical, and are approved by the Managing Director before being circulated. The resolution is passed when it is signed by the last of the Directors. Signed circular resolutions are entered into the minute book.

Director Education

The terms and conditions of the appointment and retirement of Non-executive Directors are set out in a letter of appointment, including expectations of attendance and preparation for all Board Meetings, minimum hourly commitment, appointments to other Boards, the procedures for dealing with conflicts of interest, and the availability of independent professional advice. Each new Director will undergo a formal induction at the earliest opportunity to enable them to gain an understanding of the Company's financial, strategic, operational and risk management position and to participate fully and actively in Board decision-making. Directors also have the opportunity to visit Company facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to company information

Each Director has the right to access all relevant Company information and to speak to and have access to management. Subject to prior consultation with and approval by the Chairman, each Director may seek independent professional advice in respect of the Company and the Board's affairs from a suitably qualified adviser at the Group's expense. A copy of the advice received by a Director in these circumstances will, subject to the Chairman's discretion, be made available to all other members of the Board

Composition of the Board & Director Independence (ASX's Recommendation 2.1, 2.2, 2.3 & 2.6)

The names of the Directors of the Company in office at the date of this report, specifying which are independent, are set out in the Directors' Report on pages 11 to 12.

The composition of the Board is determined using the following principles:

- a minimum of three and no more than eight Directors, with extensive knowledge relevant to the conduct of the Company's business;
- a majority of independent Non-executive Directors;
- a Non-executive independent Director as Chairman; and
- all Directors are subject to re-election every three years (except for the Managing Director).

The Board should, collectively, have the appropriate level of personal qualities, skills, experience and time commitment to properly fulfil its responsibilities or have ready access to such skills where they are not available.

The Board considers the mix of skills and the diversity of Board members when assessing the composition of the Board. The Board assesses existing and potential Directors' skills to ensure they have appropriate capabilities, experiences, skills and ability to add value to the Company's business as a whole. The composition of the Board is also assessed having regard to the Company's Diversity Policy, which is designed to promote and achieve diversity at all levels of Buru's business, including the Board.

The Board assesses the independence of each Director annually in light of the interests declared by them. Directors will be considered independent if they meet the definition of an 'Independent Director' in accordance with the ASX Corporate Governance Council Corporate Governance Principles and Recommendations.

Board Committees

Remuneration and Nomination Committee (ASX's Recommendation 2.4, 2.5, 2.6, 8.1, 8,2, 8.3 & 8.4)

The Remuneration and Nomination Committee oversees the appointment and induction process for Directors and Committee Members, and the selection, appointment and succession planning processes for the Company's Managing Director, executives and senior management. The Committee makes recommendations to the Board on the appropriate skill mix, personal qualities, expertise and diversity of each position. When a vacancy exists or there is a need for particular skills, the Committee in consultation with the Board determines the selection criteria based on the skills deemed necessary. The Committee identifies potential candidates with advice from external consultants. The Board then appoints the most suitable candidate. Board candidates appointed through this process must stand for election at the next general meeting of shareholders following their appointment.

Approximately every three years, or more frequently if appropriate, the Remuneration and Nomination Committee (previously the Board) uses an external facilitator to undertake an evaluation of the performance of the Board, its Committees, individual Directors, and senior executives. The other Directors have an opportunity to contribute to the review process. The reviews generate recommendations to the Board, which votes on them. The Committee's nomination of existing Directors for reappointment is not automatic and depends on, amongst other things, the outcome of the review process.

The Remuneration and Nomination Committee also conducts an annual review of the performance of the Managing Director and the senior executives reporting directly to him and the results are discussed at a Board Meeting. The Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the executive officers and Directors of the Company and of other Group executives for the Group. It is also responsible for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

The composition of the Remuneration and Nomination Committee is a minimum of three members and is comprised of only independent Non-executive Directors. The members of the Remuneration and Nomination Committee during the year were:

- The Hon. Peter Jones AM (Chairman) – Independent Non-Executive
- Mr Austin Miller – Independent Non-Executive
- Mr Graham Riley – Independent Non-Executive

The Managing Director and Executive Director are invited to Committee meetings, as required, to discuss senior executive and senior management performance and remuneration packages but they do not attend meetings involving matters pertaining to themselves.

The Remuneration and Nomination Committee will meet at least two times a year and as often as required as determined by the Chairman of the Committee. The Committee met five times during the year and all members eligible to attend, attended all five meetings. Any Committee member may convene a meeting of the Committee and two members constitute a quorum. The Committee has the right to access management and may engage independent professional advisers as it requires, to assist it to discharge its purpose and responsibilities. The Company Secretary is the Secretary of the Remuneration and Nomination Committee. The minutes of Meetings are circulated, approved and signed by the Chairman within twenty one days of the date of the meeting.

Further details on the Remuneration and Nomination Committee, including its charter, the Board Renewal and Performance Evaluation Policy and the Diversity Policy can be viewed in the corporate governance section of the Company's website www.buruenergy.com.

Audit and Risk Committee (ASX's Recommendation 4,1, 4.2, 4.3, 4.4 ,7.1, 7.2, 7.3, & 7.4)

The Audit and Risk Committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

The Audit and Risk Committee is responsible for oversight and review of:

- the annual and half yearly statutory financial statements;
- procedures and issues that could have a significant impact on financial results (for example impairment testing);
- Buru's internal controls including accounting controls;
- external auditor's independence and monitoring the audit process in accordance with the international auditing standards and any other applicable regulations;
- the appropriateness of the external auditor's provision of non-audit services;
- the need for and, if required, the scope and conduct of internal audit;
- the establishment and implementation of a risk management process to identify, assess, monitor and control risk;
- management's periodic risk assessments and recommendations;
- the adequacy of Buru's insurances;
- compliance with appropriate regulations (including environmental and safety); and
- Reporting on reserves in accordance with the appropriate regulations and guidelines.

The Audit and Risk Committee reviews the performance of the external auditors on an annual basis and will meet with them during the year to:

- discuss the external audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- review the half-year and full year financial reports prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement; and
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

The Audit and Risk Committee oversees the establishment, implementation, and annual review of the Group's Risk Management System. Management has established and implemented the Risk Management System for assessing, monitoring and managing all risks, including material business risks, for the Group (including sustainability risk). The Managing Director and the Chief Financial Officer have provided assurance, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating effectively.

Management provide the risk profile on a quarterly basis to the Audit and Risk Committee that outlines the material business risks to the Group. Risk reporting includes the status of risks through integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed.

The Audit and Risk Committee reports the status of material business risks to the Board on a quarterly basis. Further details of the Group's risk management policy and internal compliance and control system are available on the Company's website.

The risks involved with oil and gas exploration generally and the specific risks associated with Buru's activities in particular are regularly monitored and all exploration and investment proposals reviewed by the Committee include a conscious consideration of the issues and risks of each proposal. The Company's executive and senior management have extensive experience in the industry and manage and monitor potential exposures facing

Buru.

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. Comprehensive practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior board approval;
- financial exposures are controlled, further details of the Group's policies relating to interest rate management, forward exchange rate management and credit risk management are included in Notes 6 to the financial statements;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel;
- financial reporting accuracy and compliance with the financial reporting regulatory framework; and
- environmental regulation compliance.

Formal appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of cooperation and constructive dialogue with employees and senior management.

The Managing Director and the Chief Financial Officer have provided assurance in writing to the Board that the Group's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board. Monthly actual results are reported against budgets approved by the Directors and revised forecasts for the year are prepared regularly.

The Group's operations are subject to significant environmental regulation under both Commonwealth and State legislation in relation to its oil and gas exploration and production activities. The Group is committed to achieving a high standard of environmental performance. It has established a Group-wide Environmental Policy together with operation and activity specific environmental management plans to manage this area of the Company's activities.

Compliance with the requirements of environmental regulations and with specific requirements of site environmental licences was substantially achieved across all operations with no instances of material, non-compliance in relation to licence requirements noted.

Based on the results of enquiries made, the Board is not aware of any significant breaches during the period covered by this report.

Given the size and scale of Buru, it does not have an internal audit function.

The composition of the Audit and Risk Committee is a minimum of three members and is comprised of only independent Non-executive Directors. The members of the Audit and Risk Committee during the year were:

- Mr Austin Miller (Chairman) – Independent Non-Executive
- The Hon. Peter Jones AM – Independent Non-Executive
- Mr Graham Riley – Independent Non-Executive

The external auditors, the Managing Director and the Chief Financial Officer, are invited to Audit and Risk Committee meetings at the discretion of the Committee. The Managing Director and the Chief Financial Officer declared in writing to the Board:

- that the financial records of the Company for the financial year have been properly maintained; and
- the Group's financial reports for the financial year ended 30 June 2013 comply with accounting standards and present a true and fair view of the Group's financial condition and operational results.

This statement is required annually.

The Audit and Risk Committee will meet at least three times a year and as often as required as determined by the Chairman of the Committee. The Committee met five times during the year and all members eligible to attend participated in all five meetings. Any Committee member may convene a meeting of the Committee and two members constitute a quorum. The Committee has the right to access management and may engage independent professional advisers as it requires, assisting to discharge its purpose and responsibilities. The Company Secretary is the Secretary of the Audit and Risk Committee. The minutes of Meetings are circulated, approved and signed by the Chairman within twenty one days of the date of the meeting. The external auditor met with the Audit and Risk Committee twice during the year.

Further details on the Audit and Risk Committee including its charter can be viewed in the corporate governance section of the Company's website www.buruenergy.com.

Ethical standards

Code of conduct (ASX's Recommendations 3.1 & 3.5)

Buru has established a Code of Conduct. The Code of Conduct applies to all Directors, senior executives and employees. It sets out the practices necessary to maintain confidence in the Company's honesty and integrity and the practices necessary to take into account the legal obligations and the expectations of the Company's stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Code of Conduct sets out the procedure to be followed if there is, or may be, a conflict between the personal or other interests of a Director and the business of the Company including the notification of an interest to the Board and a withdrawal from a meeting in which the material matter is discussed.

There have been no reports of a departure from the Code of Conduct.

Diversity (ASX's Recommendations 3.2, 3.3 and 3.4)

The Board is committed to having an appropriate level of diversity on the Board and in all areas of the Group's business. The Board has established a policy regarding gender, age, ethnic and cultural diversity. Details of the policy are available on the Company's website.

The key elements of the Group's diversity policy are as follows:

- Disclose the Group's commitment to attracting and retaining a diverse range of talented people to work in all levels of its business, from entry positions to Board members.
- Annual assessment of gender diversity on the Board and in all areas of the Group's business and reporting against the gender diversity objectives approved by the Board.

The Group's gender diversity as at the end of the reporting period was as follows:

Period	30 June 2013				30 June 2012			
Gender	**Males**		**Females**		**Males**		**Females**	
Level	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**
Directors	5	100	0	0	3	100	0	0
Senior Executives	11	85	2	15	1	50	1	50
All Other Employees	29	54	25	46	19	58	14	42
TOTAL	**45**	**62**	**27**	**38**	**23**	**61**	**15**	**39**

During the financial year ended 30 June 2013, the Company's achieved all of the following diversity objectives as follows:

- Conduct periodic cultural awareness education and training for employees and contractors.
- To increase the total number of Traditional Owners employed by Buru on a FTE basis.
- Implementation of the Buru Energy Scholarship for Women in Petroleum Geoscience.

The following diversity objective was not met, as there were no Board appointment processes after the 2012 process that identified and appointed Dr Keiran Wulff and Mr Austin Miller.

- At least 50% of the candidate pool for the next Board appointment to be female (note this does not apply to the process commenced in the 2012 financial year to identify and appoint a fourth Director to the Board)

The Board has set the following new diversity objectives for the 2014 financial year:

- establish an Aboriginal cadetship and traineeship program;
- increase our Traditional Owner workforce by 10%;
- implement Cultural Awareness induction training for all new employees and contractors; and
- Develop and implement a mentoring program for women.

Trading in Company securities by Directors and employees

The key elements of the Company's share trading policy for Directors and employees are:

- Identification of those restricted from trading – directors and senior executives may acquire shares in the Company, but are prohibited from dealing in Company shares or exercising options:
    - in respect of a well drilling program in which Buru has an interest, from the date on which the casing string above the first objective is set (or such earlier time or event as may be notified to staff by the Managing Director) until the close of trading on the day that the drilling rig has been released from the relevant location;
    - two weeks prior to the release of Buru's half-year and annual reports;
    - whilst in possession of price sensitive information not yet released to the market.
- to raise the awareness of legal prohibitions including transactions with colleagues and external advisers
- to raise awareness that the Group prohibits entering into transactions that limit economic risks related to unvested share-based payments and that the Group requires annual declarations of compliance with this particular policy
- to raise awareness that the Group prohibits those restricted from trading in Company shares as described above from entering into transactions such as margin loans that could trigger a trade during a prohibited period
- to require details to be provided of intended trading in the Company's shares
- to require details to be provided of the subsequent confirmation of the trade
- the identification of processes for unusual circumstances where discretions may be exercised in cases such as financial hardship.

The policy also details the insider trading provisions of the Corporations Act 2001 and is reproduced in full on the Company's website and in the Group's announcements provided to the ASX.

Communication with shareholders

Timely and Balanced Disclosure (ASX's Recommendations 5.1, 5.2, 6.1 and 6.2)

The Board provides shareholders with information using a comprehensive Continuous Disclosure and Market Communications Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases. More details of the policy are available on the Company's website.

In summary, the Continuous Disclosure and Market Communications Policy operates as follows:

- the Managing Director, Executive Director and Chief Financial Officer are responsible for interpreting the Group's policy and where necessary informing and seeking approval from the Board. The Managing

Director, Executive Director and Chief Financial Officer are primarily responsible for all external communications including releases made on the ASX;

- the full annual report is made available to all shareholders via the Company's website. A physical copy will be sent to any shareholder that specifically requests it. The full annual report includes relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments;
- the half-yearly report is made available to all shareholders via the Company's website. A physical copy will be sent to any shareholder that requests it. The half-yearly report contains summarised financial information and a review of the operations of the Group during the period;
- proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders;
- all announcements made to the ASX, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX;
- the full texts of notices of meetings and associated explanatory material are placed on the Company's website; and
- the external auditor attends the annual general meetings to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Group and the independence of the auditor in relation to the conduct of the audit.

All of the above information, dating back to the listing of the Company, is made available on the Company's website within one day of public release, and is e-mailed to all shareholders who lodge their e-mail contact details with the Company. Information on lodging e-mail addresses with the Company is available on the Company's website.

The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors, the Remuneration report and changes to the Constitution and all other matters requiring shareholder approval. A copy of the Constitution is available to any shareholder who requests it.

Principles of compensation - Audited

The Directors present their Remuneration Report for Buru for the year ended 30 June 2013. This remuneration report outlines the remuneration arrangements of the Company's Directors and other key management personnel ("**KMP**") in accordance with the requirements of the *Corporations Act 2001* and its Regulations. In accordance with section 308(3C) of the *Corporations Act 2001*, the remuneration report has been audited and forms part of the Directors' Report. Remuneration is also referred to as compensation throughout this report.

KMP have authority and responsibility for planning, directing and controlling the activities of the Group and comprise the Directors, executives and senior management in accordance with s300A of the *Corporations Act 2001*.

Compensation levels for KMP are competitively set to attract and retain appropriately qualified and experienced Directors and executives. The compensation structures explained below are designed to reward the achievement of the Company's strategic objectives and achieve the broader outcome of the creation of shareholder value. The Company's compensation structures take into account:

- the capability and experience of KMPs; and
- the Group's corporate, operational and financial performance.

Compensation packages include a mix of fixed and variable compensation, and short and long term performance based incentives.

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 Remuneration and Nomination Committee through a process that considers individual, segment and overall performance of the Group. In addition, external consultants provide analysis and advice to ensure the Directors', executive and senior management compensation is competitive in the market place. Compensation is also reviewed on promotion.

Performance linked compensation

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward KMP for meeting or exceeding the Company's expectations and agreed objectives. The short-term incentive ("**STI**") is an 'at risk' bonus provided in the form of cash, while the long-term incentive ("**LTI**") is provided as options over ordinary shares of the Company under the rules of the Employee Share Option Plan ("**ESOP**") reapproved by shareholders in 2012. In certain cases, Share Appreciation Rights ("**SARs**") have been granted in place of options to KMP. The Company is currently reviewing its LTI structure to ensure that incentives are appropriately structured and aligned to sustainable shareholder value creation.

Short-term incentive bonuses

During this reporting period the Remuneration and Nomination Committee established a number of STI bonus schemes for some KMPs and other executives and senior management. The payment of bonuses under these schemes is linked to the fulfilment of key performance indicators ("**KPIs**"). The KPIs are designed to promote shareholder value creation and include financial and non-financial measures. The individual's reward under the STI bonus scheme is directly aligned to the creation of shareholder value through the achievement of the Company's strategic and performance goals.

The financial and non-financial measures vary with position and responsibility and include measures such as achieving operational outcomes and ensuring high levels of safety and environmental performance. The specific measures were chosen as they provide objective criteria against which the bonus will be paid.

Long-term incentive bonuses

The Remuneration and Nomination Committee considers that an LTI scheme structured around equity based compensation is necessary to attract and retain the highest calibre of professionals to the Group, whilst preserving the Group's cash reserves. The purpose of these schemes is to align the interests of KMP with shareholders and to reward, over the medium term, KMP for delivering value to shareholders through share price appreciation.

At the 2012 Annual General Meeting, shareholders reapproved the Company's ESOP for a further three years. Options are issued under the ESOP in accordance with the thresholds set in the plan approved by shareholders. The number of options available to be issued under the ESOP is limited to 5% of the total number of ordinary shares in the Company. The options are issued for no consideration and vest immediately. All options refer to options over ordinary shares of Buru Energy Limited which are exercisable on a one for one basis.

During the financial year the Group issued SARs to certain KMP. Each SAR represents a right to an award equivalent to the positive difference between the notional share price set at the date of grant and the share price at the date of exercise, subject to satisfaction of any vesting conditions and exercise conditions. At the Board's discretion, the award may be settled in ordinary shares of an equivalent value or as a cash payment.

Consequences of performance on shareholder wealth

The Board considers that the most effective way to increase shareholder wealth is through the successful exploration and development of the Group's oil and gas exploration permits. The Board considers that the Group's LTI schemes incentivise KMP to successfully explore the Group's oil and gas permits by providing rewards, over the short and long term that are directly correlated to delivering value to shareholders through share price appreciation. The Board is of the opinion that this has been a successful method to increase shareholder wealth as shown in the table below.

Reporting Period	31 Dec 08	30 Jun 09	31 Dec 09	30 Jun 10	31 Dec 10	30 Jun 11	31 Dec 11	30 Jun 12	31 Dec 12	30 Jun 13
Buru Share Price	$0.16	$0.17	$0.23	$0.37	$0.44	$0.65	$1.23	$3.14	$2.40	$1.22

Service contracts

Service contracts with KMP, with the exception of the Managing Director and Executive Director are unlimited in term but capable of termination on three months' notice by either party, or by payment in lieu thereof at the discretion of the Company.

The employment contract with the Managing Director is unlimited in term but capable of termination with four months' notice by the Managing Director, or twelve months' notice by the Company, or by payment in lieu thereof at the discretion of the Company.

The employment contract with the Executive Director is unlimited in term but capable of termination by either party with four months' notice. If the Company terminates the employment contract, it is required to make a termination payment being equal to twelve months' pay to the Executive Director.

The Remuneration & Nomination Committee determined the amount of compensation payable to KMP under each agreement. KMP are also entitled to receive their contractual and statutory entitlements including accrued annual and long service leave, together with any superannuation benefits, on termination of employment. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by KMP and any changes required to meet the principles of the Group's compensation policy.

The General Manger – Commercial is engaged on a contracting basis through a consultancy agreement expiring 1 January 2014. The notice period is 3 months for either party or by payment in lieu thereof at the discretion of the Company.

Services from remuneration consultants

During the financial year, the Board engaged Godfrey Remuneration Consultants ("**Godfrey**") to review the amount and elements of executive remuneration as well as Non-executive Directors' remuneration. Godfrey did not provide any other services during the period. Godfrey was paid $26,000 for the executive and NED remuneration recommendations.

The engagement of Godfrey was authorised by the Chairman and was based on a documented set of protocols developed by Godfrey that would be followed by both Buru and Godfrey to ensure that Godfrey was completely independent during its review. The protocols included that only the Chairman and the Chief Financial Officer / Company Secretary were able to liaise with Godfrey and neither could liaise regarding their own roles. Godfrey declared to the Remuneration and Nomination Committee and the full Board their independence. The Remuneration and Nomination Committee and the full Board are satisfied that the remuneration recommendations were made by Godfrey free from undue influence by members of the KMP about whom the recommendations may relate.

Non-executive Directors

Total fixed compensation for all Non-executive Directors, last voted upon by shareholders at the 2012 Annual General Meeting, is not to exceed $600,000 per annum. Following the completion of the Godfrey Non-executive Directors' remuneration review, effective 1 April 2013, the Non-executive Directors' base fee was amended to $92,000 plus statutory superannuation per annum and the Chairman's base fee changed to $150,000 plus statutory superannuation per annum. An additional fee of $7,000 plus statutory superannuation per annum is payable for Non-executive Directors being a member of a Committee and the fee for chairing a Committee is $14,000 plus statutory superannuation.

Key Management Personnel Compensation - Audited

Details of the nature and amount of each major element of compensation of each Director of the Company and other KMP in AUD are as follows:

		Short-term				Post-employment	Other long term $	Termination benefits $	Share-based payments	Total $	s300A(1)(e)(i) proportion of remuneration performance related %	s300A(1)(e)(vi) value of options as proportion of remuneration %
		Salary & Fees $	STI cash bonus (C) $	Non-monetary benefits (D)	Total	Superannuation benefits $			ESOP (A) / SARs (B) $			
Non-executive Directors												
Mr G Riley, NED Chairman	2013	139,111	-	-	**139,111**	12,535	-	-	-	**151,646**	0.00%	0.00%
	2012	108,500	-	-	**108,500**	9,765	-	-	-	**118,265**	0.00%	0.00%
The Hon. P Jones AM, NED	2013	106,272	-	-	**106,272**	-	-	-	-	**106,272**	0.00%	0.00%
	2012	79,250	-	-	**79,250**	-	-	-	-	**79,250**	0.00%	0.00%
Mr A Miller, NED	2013	64,636	-	-	**64,636**	5,830	-	-	-	**70,466**	0.00%	0.00%
(Commenced Nov 2012)	2012	-	-	-	**-**	-	-	-	-	**-**	0.00%	0.00%
Total Non-executive Directors' Remuneration	**2013**	**310,019**	**-**	**-**	**310,019**	**18,365**	**-**	**-**	**-**	**328,384**	**0.00%**	**0.00%**
	2012	**187,750**	**-**	**-**	**187,750**	**9,765**	**-**	**-**	**-**	**197,515**	**0.00%**	**0.00%**
Executive Directors												
Dr K Wulff, Managing Director	2013	310,872	-	-	**310,872**	27,991	-	-	88,689	**427,552**	20.74%	20.74%
(Commenced as a Non-executive Director in October 2012 and Managing Director in January 2013)	2012	-	-	-	**-**	-	-	-	-	**-**	0.00%	0.00%
Mr E Streitberg, Executive Director	2013	488,020	384,000	-	**872,020**	78,494	-	-	-	**950,514**	40.40%	0.00%
	2012	555,000	-	-	**555,000**	49,950	-	-	2,495,740	**3,100,690**	80.49%	80.49%
Total Directors' Remuneration	**2013**	**1,108,911**	**384,000**	**-**	**1,492,911**	**124,850**	**-**	**-**	**88,689**	**1,706,450**		
	2012	**742,750**	**-**	**-**	**742,750**	**59,715**	**-**	**-**	**2,495,740**	**3,298,205**		

		Short-term				Post-employment	Other long term $	Termination benefits (E) $	Share-based payments	Total $	s300A(1)(e)(i) proportion of remuneration performance related %	s300A(1)(e)(vi) value of options as proportion of remuneration %
		Salary & Fees $	STI cash bonus (C) $	Non-monetary benefits (D)	Total	Superannuation benefits $			ESOP (A) / SARs (B) $			
Executives												
Mr T Streitberg, Head of Strategy (Resigned Jul 2013)	2013	343,200	316,800	47,514	**707,514**	54,054	-	-	145,281	**906,849**	50.95%	16.02%
	2012	396,000	-	-	**396,000**	35,640	-	-	122,926	**554,566**	22.17%	22.17%
Ms M Malaxos, COO (Commenced Feb 2012, Resigned Jan 2013)	2013	248,590	-	-	**248,590**	22,312	-	141,667	167,627	**580,196**	28.89%	28.89%
	2012	177,083	-	-	**177,083**	15,937	-	-	127,401	**320,421**	39.80%	39.80%
Mr C Bath, CFO and Company Secretary (Commenced Oct 2012)	2013	258,600	-	-	**258,600**	23,274	-	-	493,568	**775,442**	63.65%	63.65%
	2012	-	-	-	**-**	-	-	-	-	**-**	0.00%	0.00%
Ms L West, General Counsel (F)	2013	212,243	32,110	-	**244,353**	21,992	-	-	83,813	**350,158**	33.11%	23.94%
	2012	130,447	58,372	-	**188,819**	16,993	-	-	34,146	**239,958**	38.56%	14.23%
Mr B Williams, General Manager - Commercial (Commenced July 2012)	2013	477,154	-	-	**477,154**	-	-	-	243,061	**720,215**	33.75%	33.75%
	2012	-	-	-	**-**	-	-	-	-	**-**	0.00%	0.00%
Total Directors and Executive Officer Remuneration	**2013**	**2,648,698**	**732,910**	**47,514**	**3,429,122**	**246,482**	**-**	**141,667**	**1,222,039**	**5,039,310**		
	2012	**1,446,280**	**58,372**	**-**	**1,504,652**	**128,285**	**-**	**-**	**2,780,213**	**4,413,150**		

Notes in relation to the table of KMP remuneration

A. ESOP - The fair value of the options is calculated at the date of grant using the Black & Scholes option-pricing model and expensed at grant date. The value disclosed is the portion of the fair value of the options recognised in this reporting period.

B. SARs - The fair value of the SARs is calculated at the date of grant using the Black & Scholes option-pricing model and expensed over the vesting period. The value disclosed is the portion of the fair value of the SARs recognised in this reporting period.

C. Short Term Incentive Cash Bonus – Mr E Streitberg, Mr T Streitberg and Ms L West each received a STI cash bonus during the financial year. The bonuses were discretionary bonuses as authorised by the Board and were for exceptional performance during the financial year. The criteria for discretionary bonuses are set out on page 26. All bonuses fully vested during the period. No bonuses were forfeited during the financial year.

D. Non-monetary Benefits - Mr T Streitberg was provided with accommodation during the financial year. This amount represents the cost of that accommodation and the resultant FBT payable.

E. Termination benefit - Ms M Malaxos was provided with a termination benefit of 4 months' salary based on an annual salary of $425,000.

F. Ms L West met the definition of a KMP from 1 July 2012. P Edwards, T Rudge and M Royle, who were all KMP in the 2012 Remuneration Report, no longer met the definition of KMP from 1 July 2012.

Analysis of share based payments

Details of the options issued under the ESOP to each KMP during the reporting period and details of vesting profiles of options that vested during the reporting period are as follows:

		Number of options granted	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	% of options vested	% of options forfeited	Financial years in which grant vests
Executives									
Mr T Streitberg	2013	180,000	30 Nov 12	0.81	4.13	31 Dec 14	100%	0%	2013
Ms M Malaxos	2013	180,000	1 Oct 12	0.93	4.04	31 Dec 14	0%	100%	2013
Mr C Bath	2013	530,000	1 Oct 12	0.93	4.04	31 Dec 14	100%	0%	2013
Ms L West	2013	90,000	1 Oct 12	0.93	4.04	31 Dec 14	100%	0%	2013

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients. All options expire on the earlier of their expiry date or 30 days after the termination of the individual's employment. The options are exercisable immediately from grant date. No terms of equity-settled share-based payment transactions (including options granted as compensation to a KMP) have been altered or modified by the issuing entity during the reporting period or the prior period.

Details of the Share Appreciation Rights ("**SARs**") issued to KMP during the reporting period and details on SARs that vested during the reporting period are as follows:

		Number of SARs granted	Grant date	Fair value per option at grant date ($)	Exercise price per SAR ($)	Expiry date	% of SARs vested	% of SARs forfeited	Financial years in which grant vests
Directors									
Dr K Wulff	2013	1,000,000 1,500,000	14 Jan 13*	0.23* 0.17*	3.79 5.06	30 Jun 16	0% 0%	0% 0%	2015 2016
Executives									
Mr B Williams	2013	200,000 250,000 300,000	7 Dec 12	1.10 1.05 1.01	4.00 4.25 4.50	30 Jun 16	0% 0% 0%	0% 0% 0%	2014 2015 2016

* The SARs issued to Dr K Wulff are subject to shareholder approval which will be sought at the Company's next Annual General Meeting. The SARs have therefore been provisionally valued using the Company's share price on 30 June 2013. If approval is obtained, the AGM date will become the grant date, at which point the fair value of these SARs will be revalued in accordance with AASB 2.

During the reporting period, the following shares were issued on the exercise of options previously granted as compensation:

		Number of options exercised	Exercise Price ($/share)	Number of shares issued
Directors				
Mr E Streitberg	2013	1,080,000	0.48*	888,778
		2,500,000	1.03*	1,550,162
		2,500,000	1.12*	1,467,167
		2,500,000	1.20*	1,393,393
Executives				
Mr T Streitberg	2013	1,050,000	0.48*	864,090
		396,000	1.24*	214,870
Ms M Malaxos	2013	100,000	1.86	100,000
		220,000	1.86*	43,131
Ms L West	2013	170,000	0.75	170,000

* These options were exercised via the cashless exercise mechanism.

The cashless exercise mechanism was approved by shareholders at the Company's Annual General Meeting held on 30 November 2012. This mechanism enables employees who hold options over shares in the Company to elect to exercise vested options by receiving shares equal to the value of the positive difference between the exercise price and the share price at exercise. The share price used for the calculation of the number of shares issued under the cashless exercise mechanism is the average market price of the shares (weighted by reference to volume) sold in the ordinary course of trading on ASX during the five trading days before the date on which the holder exercises its options. The cashless exercise of options mechanism results in less shares being issued upon exercise of existing options, to the benefit of shareholders, with less dilution of their own shareholdings.

There are no amounts unpaid on the shares issued as a result of the exercise of options in the 2013 financial year.

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each KMP is detailed below:

		Granted in year $(A)	Value of options exercised in year $(B)	Lapsed during the financial year $(C)
Directors				
Mr E Streitberg	2013	-	13,248,750	-
Executives				
Mr T Streitberg	2013	145,281	2,697,400	-
Ms M Malaxos	2013	167,627	128,888	(167,627)
Mr C Bath	2013	493,568	-	-
Ms L West	2013	83,813	351,500	-

Notes in relation to the table of movements in the value of options:

A. The value of options granted in the year is the fair value of the options calculated at grant date using the Black & Scholes valuation model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.

B. The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

C. The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using the Black & Scholes valuation model assuming any performance criteria had been achieved.

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 year ended 30 June 2013 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

29 August 2013

BURU ENERGY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

in thousands of AUD	**Note**	**30 June 2013**	**30 June 2012**
CURRENT ASSETS			
Cash and cash equivalents	19a	45,437	62,360
Trade and other receivables	17	2,588	5,159
Inventories	18	5,340	4,646
Total Current Assets		53,365	72,165
NON-CURRENT ASSETS			
Property, plant and equipment	12	8,021	6,310
Exploration and evaluation expenditure	13	85,590	45,967
Development expenditure	14	5,009	1,983
Other investments	15	27,425	33,655
Total Non-Current Assets		126,045	87,915
TOTAL ASSETS		179,410	160,080
CURRENT LIABILITIES			
Trade and other payables	22	3,061	5,108
Provisions	23	1,218	293
Total Current Liabilities		4,279	5,401
NON-CURRENT LIABILITIES			
Trade and other payables	22	40,000	40,000
Provisions	23	6,563	5,141
Total Non-Current Liabilities		46,563	45,141
TOTAL LIABILITIES		50,842	50,542
NET ASSETS		128,568	109,538
EQUITY			
Contributed equity		189,311	150,015
Reserves		3,471	10,188
Accumulated losses		(64,214)	(50,665)
TOTAL EQUITY		128,568	109,538

The notes on pages 38 to 68 are an integral part of these consolidated financial statements

BURU ENERGY LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

in thousands of AUD	Note	2013	2012
Revenue	7	5,420	2,020
Operating costs		(5,527)	(2,308)
Gross profit		(107)	(288)
Other income	8	2,145	1,698
Exploration and evaluation expenditure		-	(553)
Impairment of exploration expenditure	13	(4,619)	(2,828)
Impairment of development expenditure	14	(914)	(356)
Impairment of property, plant and equipment	12	(773)	-
Corporate and administrative expenditure	9	(13,272)	(7,941)
Share based payment expenses	24	(2,058)	(3,292)
Joint venture partner's share of technical and administrative expenditure	27	1,870	3,470
Results from operating activities		(17,728)	(10,090)
Financial income	10	2,587	2,688
Net finance income		2,587	2,688
Loss for the period before tax		(15,141)	(7,402)
Income tax (expense)/benefit	11	(2,276)	1,896
Loss for the period		(17,417)	(5,506)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Change in fair value of available-for-sale financial assets net of tax		(5,309)	4,424
Other comprehensive income for the period, net of income tax		(5,309)	4,424
Total comprehensive loss for the period		**(22,726)**	**(1,082)**
Loss per share (cents)	21	(6.54)	(2.51)
Diluted Loss per share (cents)	21	(6.54)	(2.51)

The notes on pages 38 to 68 are an integral part of these consolidated financial statements

BURU ENERGY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

in thousands of AUD	Share capital $	Treasury share reserve $	Option premium reserve $	Share based payment reserve $	Financial asset revaluation reserve $	Retained losses $	Total equity $
Balance as at 1 July 2011	**75,488**	**(633)**	**133**	**2,583**	**2,188**	**(47,056)**	**32,703**
Comprehensive income for the period							
Loss for the period	-	-	-	-	-	(5,506)	**(5,506)**
Net change in fair value of available-for-sale financial assets	-	-	-	-	4,424	-	**4,424**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**4,424**	**(5,506)**	**(1,082)**
Transactions with owners recorded directly in equity							
Issue of ordinary shares	68,286	-	-	-	-	-	**62,286**
Share based payment transactions	-	124	(26)	3,292	-	-	**3,390**
Share options exercised	6,241	-	-	(1,897)	-	1,897	**6,241**
Total transaction with owners recorded directly in equity	**74,527**	**124**	**(26)**	**1,395**	**-**	**1,897**	**77,917**
Balance as at 30 June 2012	**150,015**	**(509)**	**107**	**3,978**	**6,612**	**(50,665)**	**109,538**

	Share capital $	Treasury share reserve $	Option premium reserve $	Share based payment reserve $	Financial asset revaluation reserve $	Retained losses $	Total equity $
Balance as at 1 July 2012	**150,015**	**(509)**	**107**	**3,978**	**6,612**	**(50,665)**	**109,538**
Comprehensive income for the period							
Loss for the period	-	-	-	-	-	(17,417)	**(17,417)**
Net change in fair value of available-for-sale financial assets	-	-	-	-	(5,309)	-	**(5,309)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	(5,309)	(17,417)	**(22,726)**
Transactions with owners recorded directly in equity							
Issue of ordinary shares	38,612	-	-	-	-	-	**38,612**
Share based payment transactions	-	509	(107)	2,058	-	-	**2,460**
Share options exercised/forfeited	684	-	-	(3,868)	-	3,868	**684**
Total transaction with owners recorded directly in equity	**39,296**	**509**	**(107)**	**(1,810)**	**-**	**3,868**	**41,756**
Balance as at 30 June 2013	**189,311**	**-**	**-**	**2,168**	**1,303**	**(64,214)**	**128,568**

The notes on pages 38 to 68 are an integral part of these consolidated financial statements

BURU ENERGY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

in thousands of AUD		**Consolidated 2013**	**Consolidated 2012**
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		8,404	3,278
Payments to suppliers and employees		(16,640)	(9,958)
Net cash outflow from operating activities	19b	(8,236)	(6,680)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		2,875	3,027
Payments for purchase of plant and equipment		(2,669)	(2,773)
Payments for exploration and evaluation expenditure		(33,250)	(29,723)
Research and development tax concession received		3,598	-
Payments for development expenditure		(2,610)	(1,594)
Transfer to long-term cash held in escrow (*)		(1,354)	(1,306)
Acquisition of subsidiary, net of cash acquired	28	(14,941)	-
Net cash outflow from investing activities		(48,351)	(32,369)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of share capital		39,296	74,527
Receipts from employee loans	32	402	98
Net cash inflow from financing activities		39,698	74,625
Net increase / (decrease) in cash and cash equivalents		(16,889)	35,576
Cash and cash equivalents at the beginning of the period		62,360	26,775
Effect of exchange rate changes on cash and cash equivalents		(34)	9
Cash and cash equivalents at 30 June	19a	45,437	62,360

* Funds held in escrow on behalf of Alcoa of Australia Limited (Note 15(i))

The notes on pages 38 to 68 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 2, 88 William Street, Perth, Western Australia 6000. The consolidated financial statements of the Company as at and for the period ended 30 June 2013 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 a for profit entity and is primarily involved in oil and gas exploration and production in the Canning Superbasin in the Kimberley region of Western Australia.

2. Basis of Preparation

(a) Statement of Compliance

The consolidated financial statements are general purpose financial statements which have 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 statements of the Group 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 29 August 2013.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- 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 each of the Group entities' functional currency. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1988 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about assumptions and estimation uncertainties 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 13 – Exploration and evaluation expenditure

Determining the recoverability of exploration and evaluation expenditure capitalised requires estimates and judgements as to future events and circumstances, in particular, whether successful development and commercial exploitation or sale of the respective area of interest is likely. Critical to this assessment are estimates and assumptions as to the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. If, after having capitalised the expenditure a judgement is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the income statement.

Note 16 – Recognition of tax losses

In accordance with the group's accounting policies for deferred taxes (refer note 3(o)), a deferred tax asset is recognised for unused tax losses only if it is probable that future taxable profits will be available to utilise those losses. Determination of future taxable profits requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. This includes estimates and judgements about oil and gas prices, reserves, exchange rates, future capital requirements, future operational performance and the timing of estimated cash flows. Changes in these estimates and assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets. The carrying amount of deferred tax assets are set out in note 16.

Note 23 – Provisions

The site restoration provision is in respect of the Group's obligation to rectify environmental liabilities relating to exploration and production in the Canning Superbasin in accordance with the requirements of the Department of Environmental Regulation and the Department of Mines and Petroleum. Significant estimates and assumptions are made in determining the provision for site rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, regulatory changes and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at balance date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the statement of financial position by adjusting the rehabilitation asset and liability.

Note 24 – Measurement of share-based payments

The fair value of share-based payment expenses is measured using the Black & Scholes valuation model that requires the use of estimates and assumptions for measurement inputs, including: expected volatility of the underlying share and weighted average expected life of the instrument.

(e) Changes in Accounting Policies

From 1 July 2012 the Group applied amendments to AASB 101 *Presentation of Financial Statements* outlined in AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*. The change in accounting policy only relates to disclosures and has had no impact on consolidated earnings per share or net income. The changes have been applied retrospectively and require the Group to separately present those items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. These changes are included in the statement of profit or loss and other comprehensive income.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently by Group entities during the reporting period. Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Jointly controlled assets

The Group has certain contractual arrangements with other participants to engage in joint activities that do not give rise to a jointly controlled entity. These arrangements involve the joint ownership of assets dedicated to the purposes of each venture but do not create a jointly controlled entity as the venturers directly derive the benefits of operation of their jointly owned assets, rather than deriving returns from an interest in a separate entity.

The financial statements of the Group include its share of the assets in such joint ventures, together with the liabilities, revenues and expenses arising jointly or otherwise from those operations. All such amounts are measured in accordance with the terms of each arrangement.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(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) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group, and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

- plant & equipment 10 – 30 years
- office equipment 3 – 20 years
- fixtures and fittings 6 – 20 years
- heritage and cultural assets not depreciated

The useful life, residual value and the depreciation method applied to an asset are reassessed at least annually. Heritage and cultural assets with the potential to be maintained for an indefinite period through conservation, restoration and preservation activities are considered to have an indefinite life and not depreciated.

(d) Exploration and Evaluation Expenditure

Exploration for and evaluation of hydrocarbon resources is the search for hydrocarbon resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the hydrocarbon resources. Accordingly, exploration and evaluation expenditures are those expenditures incurred by the Company in connection with the exploration for and evaluation of hydrocarbon resources before the technical feasibility and commercial viability of extracting a hydrocarbon resource is demonstrable.

Accounting for exploration and evaluation expenditures is assessed separately for each 'area of interest'. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a hydrocarbon resource or has been proved to contain such a resource.

Expenditure incurred on activities that precede exploration and evaluation of hydrocarbon resources, including all expenditure incurred prior to securing legal rights to explore an area, is expensed as incurred. For each area of interest the expenditure is recognised as an exploration and evaluation asset where the following conditions are satisfied:

a) The rights to tenure of the area of interest are current; and
b) At least one of the following conditions is also met:
   i. The expenditure is expected to be recouped through the successful development and commercial exploitation of an area of interest, or alternatively by its sale; and
   ii. Exploration and evaluation activities in the area of interest have not, at 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. Economically recoverable reserves are the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable conditions.

Exploration and evaluation assets include:

- Acquisition of rights to explore;
- Topographical, geological, geochemical and geophysical studies;
- Exploratory drilling, logging and coring; and
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting the hydrocarbon resource.

General and administrative costs are expensed as incurred.

(e) Development Expenditure

Development expenditure is accumulated in respect of each separate area of interest. Development expenditure relates to costs incurred to access a hydrocarbon resource after the technical feasibility and commercial viability of extracting the hydrocarbon resource from the area of interest has been demonstrated. Development expenditure related to an area of interest is carried forward to the extent that it is 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 costs written off to the extent that they will not be recoverable in the future. Impairment of assets is discussed in note 3(i).

Capitalisation of development expenditure ceases once the production commences, at which point it is transferred into Property, Plant and Equipment, and amortised on a units of production basis over the life of economically recoverable reserves.

(f) Financial Instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables. Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less and are used by the Group in the management of its short-term commitments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any attributable transaction costs. The Group's investments in equity securities and certain debt 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(i)(i)), and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(ii) Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: trade and other payables.

Trade and Other Payables

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.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(g) Inventories

Inventories are measured 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 weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(h) Leased Assets

Leases in terms of which the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases. The leased assets are not recognised in the Group's statement of financial position.

(i) Impairment

(i) Non-derivative financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or users in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment at both a specific asset and collective level. In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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 asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into a cash-generating unit ("**CGU**"). A CGU 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 CGU 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 or CGU.

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 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.

(j) Employee Benefits

(i) Long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group. When the Company grants options over its shares to employees of subsidiaries, the fair value at grant date is recognised as an increase in the investments in subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

(k) Provisions

A provision is recognised when the Group 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. The unwinding of the discount is recognised as a finance cost.

(i) Site restoration

Provisions are made for the estimated cost of an oil and gas field's site rehabilitation, decommissioning and restoration. Provisions include reclamation, plant closure, waste site closure and monitoring activities. The amount recognised as a liability represents the estimated future costs discounted to present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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.

At each reporting date the site restoration provision is re-measured to reflect any changes in discount rates and timing or amounts of the costs to be incurred. Such changes in estimates are dealt with on a prospective basis from the date of the changes and are added to, or deducted from, the related asset where it is probable that future economic benefits will flow to the entity.

(l) Revenue

Revenue from the sale of oil, gas and condensate in the course of ordinary activities 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, recovery of the consideration is probable and the amount of revenue can be estimated reliably.

(m) 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.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset and the arrangement conveys the right to use the asset. At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(n) Finance Income and Expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise unwinding of the discount on provisions and impairment losses recognised on financial assets. 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.

(o) 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 or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not provided for: temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor differences relating to investments in subsidiaries to the extent that they will 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 reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

<u>Tax consolidation</u>

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Buru Energy Limited.

(p) 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.

(q) Segment Reporting

An operating segment is a component of Buru that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of Buru's other components. All operating segments' operating results are reviewed regularly by the Group's Managing Director and the Chief Financial Officer to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Buru's revenue during the year was significantly attributable to one customer.

Segment results that are reported to the Managing Director and the Chief Financial Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and head office expenses.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

(r) Earnings Per Share

The Group 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 Group by the weighted average number of ordinary shares outstanding during the period, adjusted for shares held by the Group's sponsored employee share plan trust. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for shares held by the Group's sponsored employee share plan trust, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(s) Government Grants

Government grants related to assets are recognised initially as a deduction in the carrying amount of the asset when there is reasonable assurance that the grant will be received and the Group will comply with the conditions associated with the grant. The grants are then recognised in profit or loss on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

(t) New Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, including AASB 11 Joint Arrangements. The Group does not plan to adopt any standards early.

4. Determination of Fair Values

A number of the Group'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 share based payment expenses are 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 closing bid price at the reporting date.

5. Segment Information

The Group has only one reportable business segment being the exploration, evaluation and development of oil and gas resources in the Canning Superbasin in Western Australia. The internal report to the Chief Operating Decision Maker is prepared on the same basis as the consolidated financial report.

6. Financial Risk Management

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

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

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Committee which is responsible for developing and monitoring the Group risk management policies. The Committee reports regularly to the Board in its activities. Risk management policies are established to identify and analyse the risks faced by the 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 Group's activities. The Group, through its training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(b) 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.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's revenue from sales of crude oil 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 Group does 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.

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:

in thousands of AUD	Note	Carrying amount 2013	Carrying amount 2012
Trade and other receivables	17	2,069	4,565
Cash and cash equivalents	19a	45,437	62,360
Available-for-sale financial assets	15	2,196	9,780
Long-term cash held in escrow	15	25,229	23,875
		74,931	100,580

The Group's most significant customer, an international refiner of crude oil, accounts for $33,000 of the trade and other receivables carrying amount at 30 June 2013 (30 June 2012: $505,000). Trade and other receivables also included accrued interest receivable from Australian accredited banks of $294,000 (30 June 2012: $541,000).

Impairment losses

None of the Group's receivables are past due or impaired. None of the Group's other financial instruments were impaired at year end.

(ii) Cash and cash equivalents

The Group held cash and cash equivalents of $45,437,000 at 30 June 2013 (2012: $62,360,000) and long-term cash held in escrow of $25,229,000 (2012: $23,875,000) which represent its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA-, based on rating agency Fitch Ratings.

(c) 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. The Group maintains sufficient cash to safeguard liquidity risk.

The following are contractual maturities of trade and other payables:

	Carrying amount	
in thousands of AUD	**2013**	**2012**
Less than 1 year	3,061	5,108
1 – 5 years (i)	40,000	40,000
	43,061	45,108

(i) This profile assumes that gas is not delivered to Alcoa of Australia Limited under the GSA (Note 22(i)).

(d) 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.

(i) Currency risk

The Group is exposed to currency risk on sales that are denominated in a currency other than the functional currency 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 due to the relatively low amounts of USD income/expenditure and USD cash held.

Exposure to currency risk

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

in thousands	**30 June 2013**		**30 June 2012**	
	AUD	**USD**	**AUD**	**USD**
Cash and cash equivalents	395	367	460	469
Trade receivables	33	31	505	518
Gross balance sheet exposure	428	398	965	987

The average exchange rate from AUD to USD during the period was AUD 1.0271 / USD 1.0000 (2012: AUD 1.0319 / USD 1.0000). The reporting date spot rate was AUD 0.9275 / USD 1.000 (2012: AUD 1.0191 / USD 1.000).

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 $542,000 (2012: $202,000). 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 $542,000 (2012: $202,000). This analysis assumes that all other variables remain constant.

(ii) Interest rate risk

At balance date the Group's exposure to market risk for changes in interest rates relate primarily to the Group's short term cash deposits. The interest rate risk is only applicable to interest revenue as the Group does not have any short or long term borrowings.

The Group constantly analyses its exposure to interest rates, with consideration given to potential renewal of the terms of existing deposits.

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

in thousands of AUD	**Carrying amount 2013**	**Carrying amount 2012**
Fixed rate instruments		
Cash and cash equivalents	45,437	62,360
Long-term cash held in escrow	25,229	23,875
Total fixed interest bearing financial assets	70,666	86,235

At reporting date, there were no financial instruments with variable interest rates, other than the cash held in the general operating account (note 19a) which receives interest at the Reserve Bank Target Cash rate less 0.50%.

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.

(iii) 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 including regular monitoring of ASX listed prices and ASX releases. The Group does not enter into commodity derivative contracts.

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 Group's other comprehensive income of $216,700; an equal change in the opposite direction would have increased the Group's other comprehensive income for the period by $216,700.

(e) 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. Capital consists of share capital of the Group. In order to maintain or adjust its capital structure, Buru may in the future return capital to shareholders, issue new shares, borrow funds from financiers 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 30 June 2013. There were no changes in the Group's approach to capital management during the period. None of the Group's entities are subject to externally imposed capital requirements.

7. Revenue

in thousands of AUD	**2013**	**2012**
Sales of crude oil	5,420	2,020
	5,420	2,020

8. Other Income

in thousands of AUD	2013	2012
Equipment rental	731	232
Fuel tax credits	624	645
Research and development tax concession	-	631
Loss on the sale of assets	-	(84)
Other revenue	790	274
	2,145	1,698

9. Administrative Expenditure

in thousands of AUD	2013	2012
Wages and salaries	5,760	3,647
Non-executive Directors' fees	310	198
Superannuation	523	401
Contract employment services	559	157
Other associated personnel expenses	1,373	516
Office and other administration expenses	4,747	3,022
	13,272	7,941

The above expense excludes share based payments disclosed at note 24.

10. Finance Income and Expenses

in thousands of AUD	2013	2012
Interest income on bank deposits	2,628	2,642
Net foreign exchange gain / (loss)	(41)	46
Net finance income recognised in profit or loss	2,587	2,688

11. Income Tax Expenses

in thousands of AUD	**2013**	**2012**
Current income tax		
Current income tax charge	-	-
Adjustments in respect of previous current income tax	852	505
	852	505
Deferred income tax		
Deferred tax recognised on movement in financial asset revaluation reserve	2,276	(1,896)
Benefit relating to origination and reversal of temporary differences	(852)	(505)
	2,276	(1,896)
Total income tax expense /(benefit) reported in the income statement	2,276	(1,896)
Numerical reconciliation between tax expense and pre-tax accounting profit		
Accounting loss before tax	(15,141)	(7,402)
Income tax benefit using the domestic corporation tax rate of 30%	4,542	2,220
Increase in income tax due to:		
- Non-deductible expenses	(630)	(992)
- Non-assessable income	-	191
- Deferred tax recognised on movement in financial asset revaluation reserve	(2,276)	1,896
- Temporary differences and tax losses not brought to account as a DTA	(3,912)	(1,419)
Income tax benefit / (expense) on pre-tax loss	(2,276)	1,896

Tax recognised directly in equity

	2013			**2012**		
in thousands of AUD	Before Tax	Tax (Expense) Benefit	Net of tax	Before Tax	Tax (Expense) Benefit	Net of tax
Financial Assets	7,585	(2,276)	5,309	(6,320)	1,896	(4,424)

Tax consolidation

The company and its 100% owned entities have formed a tax consolidated group. Members of the consolidated entity have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned controlled entities on a pro-rata basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote.

Tax affect accounting by members of the Consolidated Group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. Deferred taxes are 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 tax funding agreement are 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 tax funding agreement is such that no tax consolidation contributions by or distributions to equity participants are required.

12. Property, Plant and Equipment

in thousands of AUD	Plant and equipment	Office equipment	Fixtures and fittings	Heritage and cultural assets	Intangible Assets	Total
Cost or deemed cost						
Carrying amount at 1 July 2011	3,225	528	250	-	-	4,003
Additions	1,780	234	30	868	-	2,912
Disposals	(19)	(57)	(26)	-	-	(102)
Transfers	(17)	17	-	-	-	-
Balance at 30 June 2012	4,969	722	254	868	-	6,813
Carrying amount at 1 July 2012	4,969	722	254	868	-	6,813
Additions	585	413	1,347	-	858	3,203
Impairment	(773)	-	-	-	-	(773)
Transfers	(31)	(29)	60	-	-	-
Balance at 30 June 2013	4,750	1,106	1,661	868	858	9,243
Depreciation						
Carrying amount 1 July 2011	(420)	(234)	(12)	-	-	(666)
Depreciation for the period	(236)	(126)	(23)	-	-	(385)
Disposals	533	9	6	-	-	548
Transfers	5	(5)	-	-	-	-
Balance at 30 June 2012	(118)	(356)	(29)	-	-	(503)
Carrying amount 1 July 2012	(118)	(356)	(29)	-		(503)
Depreciation for the period	(387)	(154)	(121)	-	(57)	(719)
Transfers	3	12	(15)	-	-	-
Balance at 30 June 2013	(502)	(498)	(165)	-	(57)	(1,222)
Carrying amounts						
At 1 July 2011	2,805	294	238	-	-	3,337
At 30 June 2012	4,851	366	225	868	-	6,310
At 30 June 2013	4,248	608	1,496	868	801	8,021

During the period, the Group obtained an independent valuation of the Fairway Drilling Rig by Hadro International. The impairment expense of $773,000 above relates to the write down of the rig from its previous carrying value of $2,273,000 to its fair value of $1,500,000.

13. Exploration and Evaluation Expenditure

in thousands of AUD	2013	2012
Carrying amount at beginning of the period	45,967	18,221
Expenditure incurred and capitalised during the period	32,899	30,574
Exploration assets acquired	14,941	-
Research and development tax concession received during the period	(3,598)	-
Exploration expenditure written off during the period	(4,619)	(2,828)
Carrying amount at the end of the period	85,590	45,967

Based on a review of exploration and evaluation expenditure capitalised to each area of interest, $4,619,000 of exploration and evaluation expenditure has been written off in the current reporting period in relation to areas where no further exploration or evaluation of hydrocarbon resources are budgeted for or planned at this time. All other exploration expenditure has been carried forward. The ultimate recoupment of costs carried forward for exploration assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

14. Development Expenditure

in thousands of AUD	2013	2012
Carrying amount at beginning of the period	1,983	327
Expenditure incurred during the period	3,940	2,012
Impairment of development expenditure during the period	(914)	(356)
Carrying amount at the end of the period	5,009	1,983

The impairment to development expenditure relates entirely to the Blina & Sundown Oilfield which is currently shut-in due to operational constraints. A review is continuing to consider options to maximise the value from this field. There has been no impairment to the Ungani Oilfield to date.

15. Other Investments

in thousands of AUD	2013	2012
Available-for-sale financial assets	2,167	9,751
Long-term cash held in escrow (i)	25,229	23,875
Other available-for-sale-financial assets	29	29
	27,425	33,655

(i) 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 22). The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 6. Subsequent to the end of the period, Buru and Alcoa entered into an agreement for up to $20 million of the escrowed funds to be applied to fund the next phase of the appraisal program for the Laurel Wet Gas accumulation and will therefore be released from escrow. The remaining funds will be retained in the escrow account.

16. Tax Assets and Liabilities

Unrecognised net deferred tax assets

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

in thousands of AUD	**2013**	**2012**	**Net Movement**
Deferred tax assets			
Accrued expenditure	8	46	(38)
Provision for employee entitlements	240	102	138
Other provisions	2,154	1,529	625
Business related costs	39	336	(297)
Unrealised foreign exchange loss	3	(3)	6
Tax losses	25,845	19,476	6,369
PRRT	25,513	18,764	6,749
	53,802	40,250	13,552
Deferred tax liabilities			
Exploration expenditure	(20,839)	(14,823)	(6,016)
Prepayments	(21)	(3)	(18)
Interest receivable	-	(163)	163
Investments in listed entities	(199)	(2,475)	2,276
	(21,059)	(17,464)	(3,595)
Net deferred tax assets not brought to account	32,743	22,786	9,957

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.

17. Trade and Other Receivables

in thousands of AUD	**2013**	**2012**
Trade receivables	33	505
Interest receivable	294	541
Joint venture receivables	1,517	1,870
Prepayments	519	594
GST receivable	187	936
Other receivables	38	713
	2,588	5,159

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 6.

18. Inventories

in thousands of AUD	**2013**	**2012**
Materials and consumables – at cost	5,340	4,646

19a. Cash and Cash Equivalents

in thousands of AUD	**2013**	**2012**
Bank balances	29,261	62,152
Call deposits	16,176	208
Cash and cash equivalents in the statement of cash flows	45,437	62,360

The Group's exposure to interest rate risk and sensitivity analysis for financial assets is disclosed in note 6.

19b. Reconciliation of Cash Flows from Operating Activities

in thousands of AUD	**Note**	**2013**	**2012**
Cash flows from operating activities			
Loss for the period		(17,417)	(5,506)
Adjustments for:			
Income tax expense		2,276	(1,896)
Depreciation		719	251
Loss on the sale of assets		-	84
Impairment losses on exploration expenditure	13	4,619	2,828
Impairment losses on development expenditure	14	914	356
Impairment losses on property, plant and equipment	12	773	-
Exploration and evaluation expenditure		-	545
Equity-settled share-based payment transactions	24	2,058	3,292
Joint venture partner's share of technical and administrative expenditure		(1,870)	(3,470)
Net finance income		(2,609)	(2,661)
Operating loss before changes in working capital and provisions		(10,537)	(6,177)

Changes in working capital, net of acquisitions		
Change in trade and other receivables	474	(951)
Change in trade and other payables	1,572	310
Change in provisions	255	138
Cash received from / (used in) operating activities	2,301	(503)
Net cash outflow from operating activities	(8,236)	(6,680)

20. Capital and Reserves

Share capital

	Ordinary Shares 2013 No.	Ordinary Shares 2012 No.
On issue at the beginning of the period	251,007,144	182,840,549
Issued under Institutional Placement (i)	14,545,455	44,066,667
Issued under Share Purchase Plan	-	3,722,928
Unlisted options exercised during the period	8,483,830	20,377,000
On issue at the end of the period – fully paid	274,036,429	251,007,144

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

The Acquisitions were funded by a fully underwritten placement of new shares to institutional investors to raise $40 million (before costs). The Institutional Placement was conducted via a variable price bookbuild, at a final price of $2.75 per share, a 3.5% discount to the last closing price on 25 September 2012. The bookbuild was significantly oversubscribed. Under the Institutional Placement, Buru issued 14,545,455 shares, representing some 5.8% of the Company's current issued capital at the time. The transactions costs totalled $1,476,000.

Subsequent to this acquisition Buru, MC and Rey entered into a transaction pursuant to which Buru sold a portion of its interests in Exploration Permits EP 457 and EP 458 (Fitzroy Blocks) in the Canning Superbasin to MC and Rey for a total cash payment to Buru of $21.1 million.

In March 2013, GNOL was converted to a proprietary limited company and renamed Buru Fitzroy Pty Ltd.

The Company has also issued share options and share appreciation rights (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 equity-based compensation to the Group's Directors and employees.

Financial Asset Revaluation Reserve

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

21. Loss Per Share

Basic loss per share

in thousands of AUD	**2013**	**2012**
Loss attributable to ordinary shareholders	17,417	5,506

Weighted average number of ordinary shares

	2013 No.	**2012 No.**
Issued ordinary shares at beginning of the period	251,007,144	182,840,549
Effect of shares issued	15,400,992	36,549,896
Weighted average number of ordinary shares at the end of the period	266,408,136	219,390,445

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.

22. Trade and Other Payables

in thousands of AUD	**2013**	**2012**
Trade payables	1,630	1,846
Non-trade payables and accrued expenses	1,431	3,262
Unearned income (i)	40,000	40,000
	43,061	45,108

in thousands of AUD	**2013**	**2012**
Current	3,061	5,108
Non-current	40,000	40,000
	43,061	45,108

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 6.

(i) Unearned income consists of Buru's potential obligation to repay a $40 million gas prepayment made by Alcoa to ARC Energy Ltd ("**ARC**") prior to the demerger of Buru from ARC. ARC entered into a gas supply agreement ("**GSA**") with Alcoa in September 2007. The GSA was novated from ARC to Buru as part of the demerger of Buru from ARC. The GSA provides for the delivery to Alcoa of up to 500 PJ of gas from gas discoveries made by Buru on Buru's Canning Superbasin permits. In the December quarter 2012, Alcoa agreed to further extend the GSA between Buru and Alcoa for a further year . Alcoa now has the right to extend the gas sales contract FID date on an annual basis until 1 January 2018. Buru will be obliged to repay the $40 million prepayment in three equal annual instalments commencing on 30 June 2018 if, prior to 1 July 2015, Buru has not made a final investment decision to proceed with a gas development that would allow the supply of sufficient gas to meet its delivery obligations under the GSA (unless the FID Date is extended in accordance with the abovementioned right in which case repayments will commence on 31 December 2018, 31 December 2019 or 31 December 2020 respectively). If Buru is required to repay the $40 million, there is no interest obligation. The option to make the third payment in Buru shares which was contained in the previous agreement, no longer exists.

Subsequent to year end, Buru and Alcoa entered into an agreement for up to $20 million of the escrowed funds to be applied to fund the next phase of the appraisal program for the Laurel Wet Gas accumulation. The remaining funds will be retained in the escrow account.

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.

23. Provisions

in thousands of AUD	**2013**	**2012**
Current		
Provision for annual leave	504	283
Provision for long-service leave	-	10
Provision for site restoration (i)	714	-
	1,218	293
Non-Current		
Provision for long-service leave	98	46
Provision for site restoration (i)	6,465	5,095
	6,563	5,141

(i) Site restoration provision

in thousands of AUD	**2013**	**2012**
Opening balance	5,095	5,095
Provisions made during the period	2,084	-
Balance at the end of the period	7,179	5,095

The site restoration provision is in respect of the Group's obligation to rectify environmental liabilities relating to exploration and production in the Canning Superbasin in accordance with the requirements of the DER and the DMP. The provision is derived from an external independent review of the liabilities by Parsons Brinckerhoff which was undertaken in June 2013. Due to the long-term nature of the liability, there is significant uncertainty in estimating the costs that will be incurred at a future date. The rehabilitation is expected to occur progressively.

24. Share-based Payments

Description of share-based arrangements

At the 2012 Annual General Meeting, shareholders reapproved the Company's ESOP for a further three years. Options are issued under the ESOP in accordance with the thresholds set in the plan approved by shareholders. The number of options available to be issued under the ESOP is limited to 5% of the total number of ordinary shares in the Company. The options are issued for no consideration and vest immediately. All options refer to options over ordinary shares of Buru Energy Limited which are exercisable on a one for one basis.

During the financial year the Group issued SARs to certain KMP. Each SAR represents a right to an award equivalent to the positive difference between the notional share price set at the date of grant and the share price at the date of exercise, subject to satisfaction of any vesting conditions and exercise conditions. At the Board's discretion, the award may be settled in ordinary shares of an equivalent value or as a cash payment.

All share options vested immediately on grant date. The Share Appreciation Rights vest over a period of between 1 and 3 years.

The fair value of all share options granted during the year was measured using the Black & Scholes model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the equity settled share based payment plans were as follows:

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

The fair value of all share appreciation rights granted during the year was measured using the Black & Scholes model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the equity settled share based payment plans were as follows:

Number SARs granted	Share Price at Grant Date	Exercise Price	Volatility	Expected Dividends	Risk free interest rate	Expiry Date	Fair Value
1,000,000	$1.22*	$3.79	64%	Nil	2.9%	30 Jun 16	$0.23*
1,500,000	$1.22*	$5.06	64%	Nil	2.9%	30 Jun 16	$0.17*
200,000	$2.83	$4.00	64%	Nil	2.8%	30 Jun 16	$1.10
250,000	$2.83	$4.25	64%	Nil	2.8%	30 Jun 16	$1.05
300,000	$2.83	$4.50	64%	Nil	2.8%	30 Jun 16	$1.01
200,000	$2.31	$4.00	63%	Nil	2.8%	30 Jun 16	$0.75
250,000	$2.31	$4.25	63%	Nil	2.6%	30 Jun 16	$0.71
300,000	$2.31	$4.50	63%	Nil	2.6%	30 Jun 16	$0.68
4,000,000							

*The SARs issued to Dr K Wulff are subject to shareholder approval which will be sought at the Company's next Annual General Meeting. The SARs have therefore been provisionally valued using the company's share price on 30 June 2013. If approval is obtained, the AGM date will become the grant date, at which point the fair value of these SARs will be revalued in accordance with AASB 2.

Employees Expenses:

Fair value expensed in thousands of AUD	**2013**	**2012**
Employee Share Acquisition Scheme	-	29
Employee Share Option Plan	1,576	3,263
Employee Share Appreciation Rights	482	-
	2,058	3,292

Details on the Employee Share Option Plan and Share Appreciation Rights payments to KMP are included in the remuneration report on pages 26 to 32.

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

Number of options converted to ordinary shares	Average Exercise Price	Date of conversion	Closing share price on date of conversion
25,000	$1.24	27 Jul 12	$3.11
78,000	$0.75	10 Oct 12	$2.92
42,000	$0.75	16 Oct 12	$2.95
420,000	$0.48	16 Oct 12	$2.95
120,000	$0.75	16 Oct 12	$2.95
60,000	$0.48	23 Oct 12	$2.84
15,000	$1.24	26 Nov 12	$3.04
50,000	$0.75	14 Dec 12	$2.50
2,666,332*	$0.48	14 Dec 12	$2.50
1,550,162*	$1.03	14 Dec 12	$2.50
1,467,167*	$1.12	14 Dec 12	$2.50
1,393,393*	$1.20	14 Dec 12	$2.50
329,901*	$1.24	14 Dec 12	$2.50
100,000	$1.86	22 Jan 13	$2.20
43,131*	$1.86	22 Jan 13	$2.20
104,246*	$1.24	20 Mar 13	$2.51
19,498*	$1.56	20 Mar 13	$2.51
8,483,830			

* 7,573,830 shares were issued following the conversion of 11,818,000 unlisted options via the 'cashless exercise' mechanism as approved at the Company's 2012 AGM. On exercise of the options the Company issued the number of shares equal in value to the difference between the market value of the shares and the exercise price otherwise payable in relation to the options.

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

	Weighted average exercise price	Number of options
Outstanding unlisted options as at 1 July 2011	$0.33	24,251,000
Granted 21 Oct 2011	$1.14	9,486,000
Exercised 25 Nov 2011	$0.30	(662,000)
Granted 5 Dec 2011	$1.58	50,000
Exercised 22 Dec 2011	$0.30	(19,579,000)
Granted 1 Feb 2012	$1.86	320,000
Exercised 8 Mar 2012	$1.24	(15,000)
Exercised 4 May 2012	$1.24	(100,000)
Exercised 15 May 2012	$1.24	(21,000)
Outstanding as at 30 June 2012	$0.97	13,730,000
Outstanding unlisted options as at 1 July 2012	$0.97	13,730,000
Exercised 27 Jul 2012	$1.24	(25,000)
Exercised 10 Oct 2012	$0.75	(78,000)
Exercised 16 Oct 2012	$0.56	(582,000)
Exercised 23 Oct 2012	$0.48	(60,000)
Granted 1 Nov 2012	$4.04	1,497,000
Exercised 26 Nov 2012	$1.24	(15,000)
Granted 26 Nov 2012	$4.04	38,800
Granted 4 Dec 2012	$4.13	180,000
Exercised 14 Dec 2012	$0.94	(11,398,000)
Exercised 22 Jan 2013	$1.86	(320,000)
Exercised 20 Mar 2013	$1.31	(250,000)
Forfeited during the period ended 30 Jun 2013	$3.43	(251,000)
Outstanding as at 30 June 2013	$2.97	2,466,800

The unlisted share options outstanding as at 30 June 2013 have an exercise price in the range of $1.24 to $4.13 (2012: $0.48 to $1.86), and a weighted average contractual life of 2.2 years (2012: 1.2 years).

25. Group Entities

Parent entity	Country of incorporation	Ownership interest	Ownership interest
Buru Energy Limited (i)	Australia		
Subsidiaries		**2013**	**2012**
Terratek Drilling Tools Pty Limited	Australia	100%	100%
Royalty Holding Company Pty Limited	Australia	100%	100%
Buru Energy (Acacia) Pty Limited	Australia	100%	100%
Buru Operations Pty Limited	Australia	100%	100%
Yakka Munga Pastoral Company Pty Limited	Australia	100%	100%
Buru Fitzroy Pty Limited	Australia	100%	0%

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

26. Parent Entity Disclosures

As at, and throughout the financial year ended 30 June 2013 the parent company of the Group was Buru Energy Limited.

in thousands of AUD	Company 2013	Company 2012
Result of the parent entity		
Profit/(Loss) for the period	(17,148)	(7,467)
Other comprehensive income / (expense)	(5,309)	4,424
Total comprehensive loss for the period	(22,457)	(3,043)
Financial position of the parent entity at year end		
Current assets	57,349	76,464
Total assets	179,610	159,926
Current liabilities	3,565	5,379
Total liabilities	50,842	50,521
Total equity of the parent entity at year end		
Share capital	189,311	150,015
Reserves	3,471	10,188
Retained earnings	(64,014)	(50,799)
Total equity	128,768	109,404

27. Jointly Controlled Assets

The consolidated entity has an interest in the following joint ventures as at 30 June 2013 whose principal activities were oil and gas exploration.

Permit/Joint Venture	2013 Beneficial Interest	2012 Beneficial Interest	Operator	Country
R1	38.95%	38.95%	Buru Energy Ltd	Australia
L15	15.50%	15.50%	Buru Energy Ltd	Australia
EP104	-	38.95%	Buru Energy Ltd	Australia
EP371	50.00%	50.00%	Buru Energy Ltd	Australia
EP390	50.00%	50.00%	Buru Energy Ltd	Australia
EP391	50.00%	50.00%	Buru Energy Ltd	Australia
EP417	35.00%	35.00%	New Standard Energy Ltd	Australia
EP428	50.00%	50.00%	Buru Energy Ltd	Australia
EP431	50.00%	50.00%	Buru Energy Ltd	Australia
EP436	50.00%	50.00%	Buru Energy Ltd	Australia
EP438	37.00%	5.00%	Buru Energy Ltd	Australia
EP457	37.50%	-	Buru Fitzroy Pty Ltd	Australia
EP458	37.50%	-	Buru Fitzroy Pty Ltd	Australia
EP471	50.00%	50.00%	Buru Energy Ltd	Australia
EP472	50.00%	50.00%	Buru Energy (Acacia) Pty Ltd	Australia
EP476	50.00%	50.00%	Buru Energy Ltd	Australia
EP477	50.00%	50.00%	Buru Energy (Acacia) Pty Ltd	Australia
EP478*	100.00%	100.00%	Buru Energy (Acacia) Pty Ltd	Australia
Inventory and Services Joint Venture	50.00%	50.00%	Buru Energy Ltd	Australia

** Subject to Trident Energy farm-in right to earn a 17.5% interest. Upon satisfaction or expiration of this right, Buru must transfer half of its remaining interest to Mitsubishi.*

MC agreed to pay $3.74 million for MC's share of technical and administrative expenditure for the 2012 calendar year exploration programs (2011 calendar year $3.2m). The full amount was paid in July 2012. $1.87 million was recognised in the current financial period being the amount paid relating to the period 1 July 2012 to 31 December 2012. From 1 January 2013, MC's share of technical and administrative expenditure has been charged and recovered directly from the Buru-MC Joint Ventures.

The Group'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.

in thousands of AUD	**2013**	**2012**
Income	165	101
Expenditure	(8,982)	(374)
	(8,817)	**(273)**

Current assets		
Cash and cash equivalents	113	4,388
Trade and other receivables	120	321
Inventory	489	48
Total current assets	**722**	**4,757**
Non-current assets		
Exploration expenditure	62,431	34,879
Development expenditure	4,963	1,949
Total non-current assets	**67,394**	**36,828**
Current Liabilities		
Trade and other payables	1,237	4,556
Total current Liabilities	**1,237**	**4,556**
Share of net assets of joint venture operations	**66,879**	**37,029**

28. Acquisition of Subsidiary

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

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

in thousands of AUD	**Pre-acquisition carrying amounts**	**Fair value adjustments**	**Recognised values on acquisition**
Exploration and evaluation assets	661	35,339	36,000
Net identifiable assets and liabilities	661	35,339	36,000
Total consideration			36,000
Consideration paid in cash			36,000
Cash acquired			-
Net cash outflow			36,000
Net cash received from subsequent disposal of a portion of the interests as disclosed below			(21,059)
Net cash outflow			14,941

Subsequent to this acquisition Buru, MC and Rey entered into a transaction pursuant to which Buru sold a portion of its interests in Exploration Permits EP 457 and EP 458 (Fitzroy Blocks) in the Canning Superbasin to MC and Rey for a total cash payment to Buru of $21,059,000.

Following the conclusion of the transaction the interests in the Fitzroy Blocks are:

- Buru 37.5% (Operator)
- MC 37.5%
- Rey 25.0% (10% Free Carry)

29. Operating Leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

in thousands of AUD	**2013**	**2012**
Less than one year	1,203	559
Between one and five years	3,803	170
More than five years	-	-
	5,006	729

The Group leases three corporate offices in Perth and a office/warehouse facility in Broome. The leases expire in August 2013, October 2013, October 2017 and November 2013 respectively. All have options to renew the lease after the expiry dates.

The Group also maintains operating leases for production vehicles and accommodation for employees required to travel for work purposes.

The total operating lease amount recognised as an expense in the financial year was $605,000 (2012: $510,000).

30. Capital and Other Commitments

in thousands of AUD	**2013**	**2012**
Exploration expenditure commitments		
Contracted but not yet provided for and payable:		
Within one year	34,039	20,851
One year later and no later than five years	21,658	24,882
Later than five years	-	-
	55,697	45,733

The commitments are required in order to maintain the petroleum exploration permits in which the Group has interests in good standing with the Department of Mines & Petroleum ("**DMP**"). These obligations may be varied from time to time, subject to approval by the DMP. Included in the above are the commitments during the term of the State Agreement, under which Buru and Mitsubishi have committed to the continued exploration, appraisal and, if technically viable, development of the gas resources of the permits with the objective of delivering gas into the Western Australian domestic gas market.

The above commitments also include the expenditure to purchase a 50% interest in the permit to be issued in respect of application area 5/07-8 (Derby Block), from Backreef Oil Limited, for a total cash consideration of $3.5 million, payable upon grant of the permit. The commitments also include amounts that the Group has agreed to spend in order to meet its farm-in obligations with joint venture entities which may be varied from time to time subject to the approval of other contracting parties.

31. Contingencies

There were no other material contingent liabilities or contingent assets for the Group as at 30 June 2013.

32. Related Parties

Key management personnel compensation

The key management personnel compensation comprised:

in AUD	**2013**	**2012**
Short-term employee benefits	3,429,122	1,504,652
Post-employment benefits	246,482	128,285
Termination benefits	141,667	-
Share-based payments	1,222,039	2,780,213
	5,039,310	4,413,150

Individual Directors and executives compensation disclosures

Information regarding individual Directors and executives 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 26 to 32.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Movements in shares

The movement during the reporting period in the number of ordinary shares in Buru held by each KMP is as follows:

KMP	Held at 1 July 2012 or on appointment as KMP during the period	Received on exercise of options	Purchases	Sales	Held at 30 June 2013
Mr G Riley	3,000,000	-	-	-	3,000,000
The Hon. P Jones AM	248,277	-	-	-	248,277
Mr A Miller	1,625,132	-	-	-	1,625,132
Mr E Streitberg	23,401,066	5,299,500	-	-	28,700,566
Mr T Streitberg	3,783,440	1,078,960	-	-	4,862,400
Ms L West	-	170,000	-	-	170,000
Total	**32,057,915**	**6,548,460**	**-**	**-**	**38,606,375**

Movements in options

The movement during the reporting period in the number of unlisted options over ordinary shares in Buru held by each KMP is as follows:

KMP	Held at 1 July 2012 or on appointment as KMP during the period	Exercised	Granted	Forfeited	Held at 30 June 2013
Mr E Streitberg	8,580,000	(8,580,000)	-	-	-
Mr T Streitberg	1,446,000	(1,446,000)	180,000	-	180,000
Ms M Malaxos	320,000	(320,000)	180,000	(180,000)	-
Mr C Bath	-	-	530,000	-	530,000
Ms L West	280,000	(170,000)	90,000	-	200,000
Total	**10,626,000**	**(10,516,000)**	**980,000**	**(180,000)**	**910,000**

Movements in share appreciation rights

The movement during the reporting period in the number of share appreciation rights in Buru held by each KMP is as follows:

KMP	Held at 1 July 2012 or on appointment as KMP during the period	Exercised	Granted	Forfeited	Held at 30 June 2013
Dr K Wulff	-	-	2,500,000	-	2,500,000
Mr B Williams	-	-	750,000	-	750,000
Total	**-**	**-**	**3,250,000**	**-**	**3,250,000**

Loans to key management personnel and their related parties

Unsecured loans to key management personnel as at 30 June 2013 were nil (2012: $402,000).

KMP	Opening Balance	Repaid During The Period	Borrowed During the Period	Closing Balance
Mr T Streitberg	402,000	402,000	-	-

Other related party transactions

No other related party transaction has occurred during the reporting period.

33. Subsequent Events

On 8 August 2013 Buru announced that the Company had secured a funding package which will provide it with the capital to progress the development of the Ungani Oilfield into full scale production, to complete an appraisal program of the Laurel Wet Gas project, and to recommence an active seismic and drilling exploration program for conventional oil prospects, with an initial focus on the Ungani oil trend. Buru has also contracted a state-of-the-art Huisman LOC 400 drilling rig to support this work program.

Mitsubishi Corporation has agreed to provide Buru with up to $27.5 million to contribute to Buru's share of costs for the development of the Ungani Oilfield through the acceleration of the major project infrastructure support payments under the 2010 farm-in agreement between Buru and Mitsubishi. The funding is subject to formal documentation of the agreement, and a FID decision on the development of the Ungani Oilfield which is expected to be achieved in early 2014. NAB has been mandated as Sole Lead Financier to arrange and provide a USD denominated debt facility to the Ungani Oilfield development. The NAB mandate provides a Reserve Base Loan Facility of up to US$40 million. Buru has received a Term Sheet from NAB on acceptable terms and expects that a binding commitment will be received in due course on the same basis.

Alcoa has agreed to release up to $20 million for funding of Buru's share of the proposed Laurel Wet Gas accumulation appraisal program. These funds are currently held in escrow and form part of the $40 million gas prepayment monies advanced to Buru under the Alcoa gas sales contract. Buru also undertook a modest equity raising to contribute funding for exploration and general working capital. The equity raising was a combination of an underwritten $35 million Institutional Placement, and a non-underwritten Share Purchase Plan (which will be capped at $5 million), to give all eligible existing shareholders the opportunity to participate in the capital raising.

The Institutional Placement priced at $1.65 per share, an 8.8% discount to the 5-day VWAP of $1.81. 21.3 million new shares were issued. The SPP will close on 6 September 2013.

No other significant events have occurred subsequent to balance date other than those already disclosed.

34. Auditors' Remuneration

in thousands of AUD	**2013**	**2012**
Audit services		
KPMG Australia: Audit and review of financial reports	94	70

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 Limited ('the Company'):

(a) the consolidated financial statements and notes that are contained on pages 34 to 68 and the Remuneration report in the Directors' report, set out on pages 26 to 32, are in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance, for the financial year ended on that date; and

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

(b) There are reasonable grounds to believe that the Group 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 and Chief Financial Officer, for the financial year ended 30 June 2013.

3 The Directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Perth, 29 August 2013.

Mr Eric Streitberg	Mr Graham Riley
Executive Director	*Chairman*

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 consolidated statement of financial position as at 30 June 2013, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 34 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply 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 of the financial report that gives a true and fair view 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, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

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 the Group is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards 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 pages 26 to 32 of the directors' report for the year ended 30 June 2013. 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 year ended 30 June 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Brent Steedman
Partner

Perth

29 August 2013