2016

Annual Report

Buru Energy Limited Annual Report
For the year ended 31 December 2016
ABN 71 130 651 437

Contents

Shares on issue:	339,997,078
Unlisted options:	3,150,000
Share Appreciation Rights:	1,020,066

Directors

Mr Eric Streitberg	Executive Chairman
Ms Eve Howell	Independent Non–executive Director
Mr Robert Willes	Independent Non–executive Director

Company Secretary
Mr Shane McDermott

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1230 Hay Street
WEST PERTH WA 6005

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

ASX Code: BRU

Dear shareholder

I am pleased to present the Annual Report of the Company for the 2016 year.

2016 was a particularly challenging year for the sector and even more so for Australian listed junior oil and gas companies.

Buru Energy has successfully weathered this difficult period and is now poised to reap the benefits of the focused activity we undertook and the difficult decisions that we had to make during the year.

We were able to successfully control our expenditures through reduction of overhead costs and re-negotiation of commitment work programs, while still managing to pay down a significant amount of debt. We also continued our gas testing program, prepared for the restart of the Ungani Oilfield, and negotiated landmark Native Title agreements for our gas appraisal and development program.

We have also re-built our exploration portfolio after the extensive 2015 drilling program and now have an excellent portfolio of prospects for the forward program.

However, the share price of the company has been under significant pressure through a combination of market conditions, subdued exploration activity, and the general lack of investor interest in our sector of the market. Going forward we will be working to address this from a sound and consolidated base.

2016 saw the lowest level of onshore drilling activity in Australia for 15 years. In particular, in Western Australia there were no onshore exploration wells drilled. These statistics are representative of a worldwide trend and are very concerning for the ability of the industry to meet the projections for future hydrocarbon demand and for oil in particular.

In that regard we were very pleased to be able to recently announce that we have a forward plan for the restart of production from the Ungani Oilfield. The field was shut-in in January 2016 due to the low oil price and it has taken a considerable amount of time to establish the parameters for a commercially viable restart. This has now been achieved with the recovery of the oil price and our ability to access a larger oil export tank with the associated improved margins and operational flexibility, and we look forward to the resumption of the cash flow from the field.

We were pleased to be able to make a substantial debt repayment to Alcoa in December 2016 and subsequent to that the Company had a cash balance of some $21 million at the end of the December 2016 quarter. The Company's activities are funded through to at least the end of 2017, however, any material discretionary exploration expenditure is likely to require external funding, and the most effective method to achieve this is currently under review.

The gas resources that have been identified across the Company's holdings in the Canning Basin are substantial in both an Australian and a global context, and have been verified by independent certifiers. The bulk of the resources identified to date are in tight gas formations at depths in excess of 2.5 kilometres and require hydraulic stimulation or "fraccing" for commercial flows. The Company's recent frac programs and subsequent flow tests have demonstrated that commercial flows are likely to be achievable, and the size of the resource is sufficiently large to be able to fulfil both the Company's Western Australian domestic gas obligations under the terms of its State Agreement, and to also potentially provide gas into the East Coast market.

Although there are political and community concerns about unconventional resources that have been raised by groups opposed to the fossil fuel industry, the Company has successfully carried out a number of very closely monitored fracs and subsequent testing programs, with no effect on the environment or water resources. We are also confident that any government sponsored review or inquiry will demonstrate, as have all previous reviews and inquiries, that exploitation of unconventional gas can be undertaken safely if properly regulated.

We were also pleased that during the year we were able to execute agreements with the Noonkanbah and Warlangurru peoples for the continuation of our unconventional activities on their lands. These agreements reflect our good working relationship with the Traditional Owners and their confidence in both the independent scientific review that they carried out, and the subsequent conduct of our activities on their land. Their involvement in all phases of our operations is a model for other communities.

We note with sadness and respect the passing of Mr Dicky Cox, a leader in the Noonkanbah community. Mr Cox was a man of extraordinary vision for his people and he leaves an enduring legacy for Aboriginal people in the Kimberley and in Australia.

We also note that a previous long serving Director of the Company, Hon Peter Jones, passed away in January 2017. The Board expresses its sympathy to his family and its thanks for his long and meritorious service to both Buru Energy and its predecessor company, ARC Energy Limited and to the oil and gas industry in Western Australia in his role as Resources Development Minister.

The Board thanks shareholders for their patience and support during this very challenging period and looks forward to the future with some confidence.

Corporate Summary

Current Issued Capital

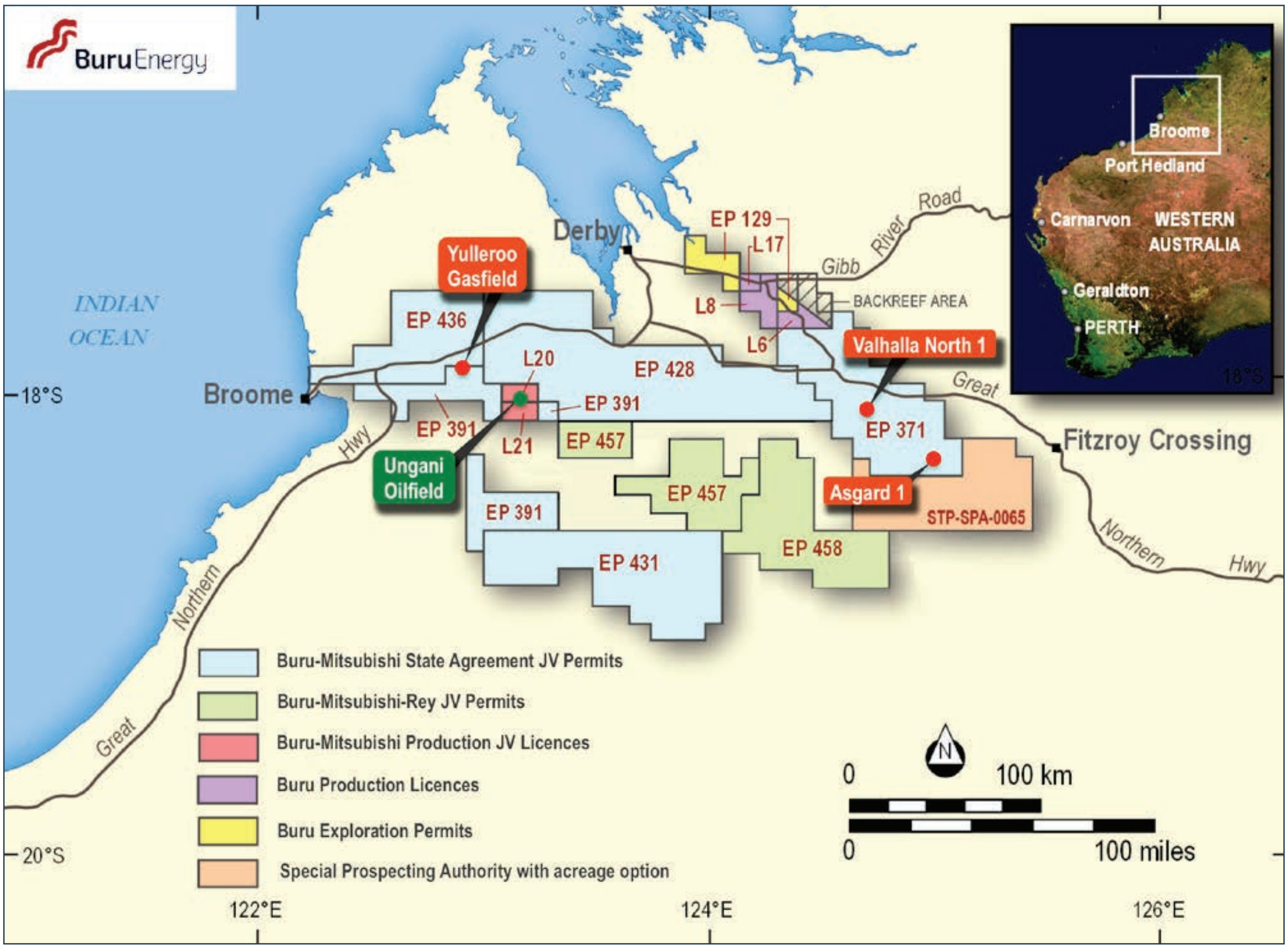
Fully paid ordinary shares	339,997,078
Options (unlisted – Staff)	3,150,000
Share Appreciation Rights (unlisted – Staff)	1,020,066

Trading History

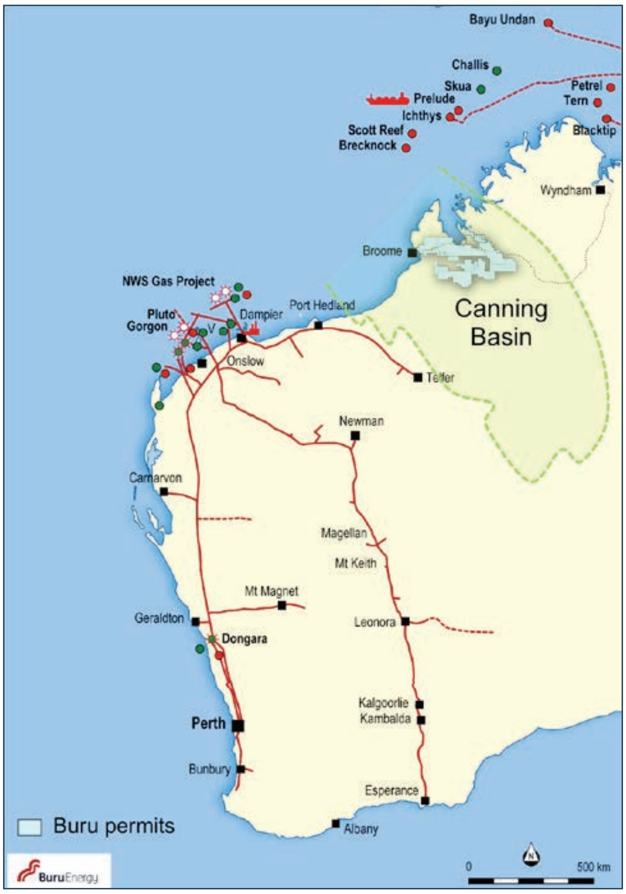
Share price range during 2016	$0.185 to $0.285
Liquidity (annual turnover as % of average issued capital)	26.22%
Average number of shares traded per month	~ 7.43 million

Principal Assets

Buru Energy holds a substantial exploration and production portfolio in the onshore Canning Basin in the northwest of Western Australia. These holdings include the conventional Ungani Oilfield and a number of associated conventional oil discoveries. In addition, the Company's acreage hosts the world-class multi TCF Laurel Formation tight wet gas accumulation. These assets are held under the secure tenure of a State Agreement.



Location of the Company's Assets



Shareholder Communications

Under its ASX disclosure obligations and generally in regard to shareholder communication, Buru Energy provides shareholders with all relevant and price sensitive information. These communications include regular shareholder updates and the quarterly, half yearly and annual reporting obligations. All this information is made available on the Company's website (www.buruenergy.com) which also contains details of the Company's general activities. This report provides a general summary of these details and also communicates to shareholders the Company's business philosophy, economic and financial condition and future prospects.

The Company's Business Philosophy and Strategy

Buru Energy is committed to delivering value to its shareholders, traditional owners of the areas in which it operates, the community and its employees through responsible, safe, innovative and cost effective exploration, development and production of our assets.

The Company's immediate strategy includes the following:

- Cost effectively return the Ungani Oilfield to production
- Undertake an exploration drilling program on the Ungani trend on the oil prospects defined by the 3D seismic programs and the Company's extensive regional geological studies
- Progress the evaluation of the Laurel gas project
- A continuing focus on costs and on strengthening the balance sheet

Funding, Commitments and Prospects

The funding requirements of the Company are continuously reviewed through detailed internal cash flow models that are updated as required for external and internal factors. Cash flow testing is carried out over time periods that ensure all reasonable scenarios are modelled, including the Company's ability to meet commitments as they fall due. Discretionary investment decisions including exploration, development, and production are tested against these cash flow models to ensure the appropriate use of the Company's funds.

Formal Board control over the Company's activities is maintained through a budget and cash flow monitoring process with annual budgets considered in detail by the Board and monthly detailed accounts and cash flow projections provided for review by the Board.

These cash flow projections demonstrate that the Company has sufficient funds to meet its commitments for at least the next 12 months.

Although returning the Ungani Oilfield to production will generate significant free cash flow, the Company will require further capital in due course to undertake any material discretionary exploration expenditure.

Corporate Governance

The ASX core principles of corporate governance have been integrated into the governance policy of the Company together with specific principles relevant to a company of Buru Energy's nature and size. The Board currently has three Directors and a majority (two out of three) of independent Directors. The Chairman is not independent as he is a major shareholder and acts as the chief executive of the Company. This does not comply with ASX best practice guidelines, but the Board is of the view that the current composition of the Board is appropriate for the current situation of the Company.

The full Corporate Governance Statement is included in this Annual Report at page 67.

Corporate Responsibility

The Company's responsibilities to the community and its shareholders are supported by codes of conduct and a number of specific policies, the details of which are available on the Company's website. The Company's activities include engagement with a broad variety of stakeholders including local communities, traditional owners, and pastoralists. The level of this engagement varies directly with the level of the Company's activities, but includes a long term program of information provision and feedback. This longer term program also includes substantial support of local community activities through a structured program aimed at community development.

The Company has a strong commitment to ensuring that it engages local community members and contractors in its activities to the extent possible. It is also committed to assisting Aboriginal people to achieve economic independence through employment, business development and training and gives support to those activities that are sustainable in the longer term.

Business Risk Management

The Company manages risk through a formal risk identification and risk management system, details of which are included in the Corporate Governance Statement. The identified risks are considered to be in the normal course of the Company's specific business in the current business climate, and the internal processes of the Company are considered sufficient to properly identify them and to provide mechanisms to manage them. The Board has direct oversight and involvement in the risk review and management process and engages external consultants to assist with the process as appropriate.

The operational risk management system is formalised through regulatory compliant Health Safety and Environment management systems. The operational risks these processes address include the specific risks associated with the oil and gas industry including the production, processing and transport of crude oil and the testing and evaluation of high pressure gas accumulations.

Corporate risks are managed through a series of policies and procedures and the formal risk identification and management system.

The Company is cognisant of the potential effects of climate change policies instigated by Government on both the costs and time frames of projects. These factors are considered in the investment decisions made by the Company, together with the effects such policies may have on commodity prices on both a local and global scale.

Additional matters that are considered under the Company's risk evaluation processes include social and regulatory risk including the various anti fossil fuel campaigns that are both general to the industry and in some cases specific to Buru Energy. There have been no material effects on the Company's operations by these campaigns during the year, however, it is noted that changes to legislation in relation to unconventional gas activities have the potential to affect the Company's activities in that regard.

The Company's activities during the year continued to be focused on exploration, development and production of its petroleum exploration permits and licences in the Canning Basin in the northwest of Western Australia.

Production and Development

Ungani Oilfield

Production from the Ungani Oilfield under the full field development plan commenced in July 2015 and continued until 28 January 2016 when the field was shut-in as a result of low oil prices. During this production period, the Brent Crude oil price had deteriorated from approximately USD$60/bbl to approximately USD$30/bbl resulting in unsustainable operating cashflow returns from the field.

Suspension of the field operations was relatively simple and low cost with core operating personnel retained to provide monitoring and maintenance and to assist with other field activities. Following the shut-in of the oil field, the joint venture commenced an extensive review of the alternatives for restarting production.

Throughout 2016 systematic progress was made on preparing for the restart of oil production with a comprehensive review of export solutions that would provide an alternative to Cambridge Gulf Limited's (CGL) 30,000bbl tank at Wyndham.

On 10 March 2017, the Company announced that it had completed a restart plan for the Ungani Oilfield with production from the field to again be trucked to Wyndham but stored in CGL's larger 80,000bbl tank before being exported via ship to SE Asian or local markets. The larger tank to be used for the restart brings significant economies of scale and commercial benefits through access to larger ships on spot charter, rather than the previously used smaller time charter ships. The strengthening of the oil price through 2016 to today's Brent Crude oil price, has given confidence that the restart is expected to deliver strong positive cash flows.

Ungani production equipment

The target for resumption of production is mid-2017 when CGL return the tank from diesel service, with minor modifications also required at both the CGL tank and at the Ungani Oilfield prior to restart.

The field has produced a total of some 620,000bbls during the various production phases from when production first commenced on 31 May 2012, until the suspension of production on 28 January 2016. In May 2016, the Company received the finalised Gaffney Cline and Associates (GCA) assessment of the resources of the Ungani Oilfield as set out below in summary in accordance with the ASX listing rules. The resources are classified as Contingent Resources given the field is currently shut-in. Buru Energy's interest is 50% of these estimates.

Blina and Sundown Oilfields

The Blina and Sundown Oilfields remained shut-in during the year. Maintenance and well inspections were continued together with further rehabilitation operations.

Exploration and Appraisal

Ungani FW 1

The final well from the 2015 exploration program, Ungani Far West 1, was spudded in November 2015 and suspended in March 2016. The well is located within Ungani Production License L21 3.3 kms southwest of the Ungani Oilfield. Buru Energy has a 50% equity interest in the well and did not contribute to the cost of the well as it was drilled under the terms of the Ungani Development Funding agreement with Diamond Resources (Fitzroy) Pty Ltd.

The well encountered a new oil pool in the Winifred Formation at some 1,560 metres drill depth. This is the first time oil has been recovered from this formation on the southern flank of the basin and is very encouraging for future prospectivity.

The Ungani Dolomite reservoir was fully cored in the well and wireline logs and formation testing confirmed a 15 metre oil column of high quality 41.6 deg API gravity oil. The core has confirmed the excellent reservoir quality of the Ungani Dolomite and is proving very valuable for characterising the Ungani Field resources and production characteristics.

Ungani Oilfield Contingent Resources (100%WI, MMstb)

	P90	P50	P10
Original in place	8.99	16.13	32.30
Estimated Ultimate Recovery (EUR)	2.70	7.26	19.38
Production until the 26 of January 2016	0.62	0.62	0.62
	1C	**2C**	**3C**
Contingent Resources	2.08	6.65	18.80

i. Evaluation date 30 April 2016. Probabilistic method used to prepare the estimates of contingent resources.

ii. Qualified petroleum reserves and resources evaluator requirements are detailed in Buru Energy's ASX release of 16 May 2016. Buru Energy is not aware of any new information or data that materially affects the information included in that ASX release and all material assumptions and technical parameters underpinning the estimates in that release continue to apply and have not materially changed.

iii.. The estimates of contingent resources are the statistical aggregates of unconventional resources.

iv. Application of any risk factor to contingent resources quantities does not equate contingent resources with reserves.

v. There is no certainty that it will be commercially viable to produce any portion of the resources evaluated.

Ungani North 1

Early in 2016, the joint venture also undertook a further test of the Ungani North 1 well involving a re-perforation of the interpreted oil zone. The Ungani North 1 well was originally drilled in late 2012 and was interpreted to contain a significant oil column in the Ungani Dolomite section, however, on the initial test, the reservoir was interpreted to be of poorer quality than the Ungani Oilfield and testing operations recovered only interpreted drilling fluid that had been lost to the formation.

Results from the 2016 testing operation saw the influx of oil with a field measured gravity of 41.5 deg API which was initially an encouraging result as oil had not previously been recovered from the well. However ongoing analysis of this result has indicated that a commercial production rate is unlikely to be obtained from the well in its current configuration.

Laurel Formation Tight Gas Pilot Exploration Program – Valhalla / Asgard

Overview

The evaluation of the data obtained from the 2015 Laurel Formation tight gas stimulation program has confirmed the prospectivity and commercial potential of the resource. The wells performed very strongly during the post frac flow period, with gas flows from all stimulated zones, and initial gas peak rates on blowdown of up to 44 million cubic feet of gas per day ("mmcfgpd"), and average blowdown gas rates of up to 13.5 mmcfgpd. Although not direct indicators of long term productivity, these rates are very positive indicators of stimulated reservoir volumes and formation pressures.

Other positive results include the very good gas quality, with analysis of the commingled gas streams from the stimulated zones showing high liquids content (25 to 38 bbls per million cubic feet), and low inerts (2% to 5% CO_2).

Asgard 1 flow program

In late 2016 as part of a suspension program for the Asgard 1 well, the opportunity was taken to directly measure flow rates from various zones using a technically advanced Schlumberger VX multi phase flow meter. As the vertical wells were still recovering the injected fluid, flow rates were suppressed by the returning fluid columns. However, rates varied from over 3 mmcfgpd to continuous rates of up to 100,000 cubic feet of gas per day ("cfgpd") in individual zones. Most importantly, the well was continually flowing gas and returning stimulation fluid, demonstrating the potential for long term deliverability.

Asgard 1 Flowtest

Atlas Rig 2 on location at Ungani Far West 1

The results from this test have been used to calibrate the flow rates measured through the conventional separators during the initial flow tests, and preliminary results indicate that the initial separator flow rates were materially underestimated due to the configuration of the equipment. The analysis of these results is currently underway and will be incorporated into planning for the next stage of development.

Environmental

The frac programs and subsequent flow tests on both the Asgard 1 and Valhalla North 1 wells and the previous Yulleroo 2 well have been subjected to detailed and rigorous monitoring of all environmental factors including detailed water sampling of the aquifers in the region.

There have been no discernible effects on the environment from any of these activities which is in accordance with expectations.

Discovery Assessment Report

A Discovery Assessment Report (DAR) has been submitted to the Department of Mines and Petroleum (DMP) for the petroleum pool confirmed by the Valhalla North and Asgard well stimulations. Under the petroleum legislation in Western Australia it is necessary to provide the DMP with a DAR prior to making an application for a Location, and from that, any subsequent titles. DMP have informed the JV that the report meets the requirements of the applicable regulations.

Independent Resources Review

Subsequent to the successful completion of the tight gas stimulation program at the Valhalla North 1 and Asgard 1 wells, DeGolyer and MacNaughton (D&M), a resource assessment consulting group with specialist North American tight gas and unconventional resource experience, were commissioned to undertake an independent assessment of the gas and liquids resources of the Laurel Formation in the Valhalla area.

D&M's estimate of the range of the gross estimated recoverable volumes of Contingent Resources and Prospective Resources for the Valhalla accumulation on EP 371 are provided below. Buru Energy has a 50% equity share of these resources.

	Unrisked		
Contingent Resources	**1C (MMbbl/BCF)**	**2C (MMbbl/BCF)**	**3C (MMbbl/BCF)**
Condensate	9	**32**	66
Natural Gas	455	**1,533**	2,981
Total BOE	85	**288**	563

	Unrisked				Risked
Prospective Resources	**Low Case (MMbbl/BCF)**	**Best (MMbbl/BCF)**	**Mean (MMbbl/BCF)**	**High (MMbbl/BCF)**	**Mean (MMbbl/BCF)**
Condensate	79	191	**232**	445	83
Natural Gas	5,607	11,482	**13,024**	22,368	5,234
Total BOE	1,014	2,105	**2,403**	4,173	956

i. Evaluation date 31 March 2016. Probabilistic method used to prepare the estimates of contingent and prospective resources.
ii. Qualified petroleum reserves and resources evaluator requirements are detailed in Buru Energy's ASX release of 18 April 2016. Buru Energy is not aware of any new information or data that materially affects the information included in that ASX release and all material assumptions and technical parameters underpinning the estimates in that release continue to apply and have not materially changed.
iii. BOE refers to Barrels of Oil Equivalent – gas quantities are converted to BOE using 6,000 cubic feet of gas per barrel. Quoted estimates are rounded to the nearest whole BOE.
iv. The estimates of contingent and prospective resources are the statistical aggregates of unconventional resources.
v. Application of any risk factor to contingent resources quantities does not equate contingent resources with reserves.
vi. There is no certainty that it will be commercially viable to produce any portion of the resources evaluated.
vii. The low, best, high and mean case estimates for prospective resources are P90, P50, P10 and mean respectively. The mean is the average of the probabilistic resource distribution.
viii. Pg (chance of geological success) has not been applied to the unrisked volume estimates of prospective resources.

Native Title Agreements

The joint venture has taken significant steps forward for the further appraisal and development of the Laurel tight wet gas accumulation in the vicinity of the Asgard and Valhalla wells on EP 371 with the execution of two key Native Title Agreements. The agreements cover land on the Noonkanbah Pastoral Station and the area to the north of the station. The first agreement was with the Yungngora Aboriginal Corporation RNTBC (the Yungngora People) in the form of an Indigenous Land Use Agreement or ILUA covering the Noonkanbah pastoral station. The second agreement is in the form of a Land Access and Use Agreement (LAUA) with the Warlangurru People in relation to the land the subject of the application for native title in Federal Court WAD 509/2015, also known as the Warlangurru No 1 claim. The two agreements cover the central and most prospective area of the Laurel Formation accumulation in this part of the basin.

The engagement of Traditional Owners in Buru Energy's activities in EP 371 has been exceptional, and has greatly facilitated the success of the program.

Special Prospecting Authority

On 8 July 2016 the joint venture lodged an Application for Special Prospecting Authority (STP-SPA-0065) over the area south of EP 371 which is interpreted to cover an extension of the Laurel Formation tight gas trend. The proposed work program includes the acquisition of a specialist passive airborne survey to verify the interpreted geological trends.

In accordance with Section 29 of the Native Title Act (NTA), the DMP gave notice of the proposed SPA to the relevant native title parties, as well as placed advertisements in various newspapers on 16 November 2016. The notices are issued to advise the native title parties that the Government considers the proposed act to attract the expedited procedure under s237 of the Native Title Act (i.e. no major disturbance). If no objections are received by the end of the notice period in March 2017, the Minister will be able to grant the SPA.

Meeting with Warlangurru Committee

Corporate

Yakka Munga Pastoral Lease

During the year, the Company sold the Yakka Munga Pastoral Lease to Shanghai Zenith (Australia) Investment Holding Pty Ltd (SZI). The initial sale price was agreed at $8.8 million, based on an agreed number of cattle. At settlement, in addition to the contracted sale price, SZI paid the Company a further $1.1 million for additional cattle on the property taking the total sale proceeds to $9.9 million ($9.7 million after costs).

The Company originally acquired the Yakka Munga Pastoral Lease in 2015 for $7.0 million. The station was a profitable investment for the Company and the access deed entered into with the new owners will ensure petroleum activities will be able to be carried out whilst maintaining a mutually beneficial relationship with the pastoral activities of the new owners.

Acreage Rationalisation

Formal approvals of the applications made to the WA Department of Mines and Petroleum for relinquishment of the Coastal and Acacia exploration permits (EP 390, EP 438, EP 471, EP 472, EP 473, EP 476, EP 477 and EP 478) were received during 2016 and the Company no longer retains interests in any of these exploration permits. These relinquishment applications were initially submitted in December 2015.

EP 457 and EP 458 renewal

During the year the EP 457 and EP 458 joint venture partners applied to the WA Department of Mines and Petroleum for the grant of renewal of these permits, and on 6 January 2017, the DMP granted the renewals. Both permits have been renewed for a term of 5 years. As required by legislation, 50% of the area of each permit has been relinquished. The relinquished areas were identified through consideration of a combination of geological prospectivity, access, environmental and cultural factors.

State Agreement

In 2013 Buru Energy and Mitsubishi entered into a State Agreement with the Government of Western Australia which amongst other things required the joint venture to submit a proposal for the development of a domestic gas project and pipeline by 30 June 2016. By virtue of a variation approved by State Parliament this date was extended to 30 June 2018 and other consequential amendments have been made to give effect to this variation.

Alcoa gas sales contract

In 2015, Buru Energy and Alcoa terminated the $40 million gas sales agreement between the parties with Buru Energy repaying $15 million in August 2015. The repayment terms of the then remaining $25 million liability to Alcoa were initially agreed as follows:

- $12.5 million to be paid on 30 June 2017; and
- $12.5 million to be paid on 30 June 2018, subject to the Company having a cash balance of at least $15 million during the period from December 2017 to June 2018.

During 2016, Buru Energy and Alcoa reached a further agreement under which Buru Energy repaid to Alcoa $12.5 million in December 2016, with the final remaining instalment of $12.5 million being now due for payment on 30 June 2018, without the need for the Company to have to satisfy any financial conditions prior to that date, giving certainty on the repayment terms.

Mitsubishi Ungani development funding agreement

The 2015 Ungani Development Funding Agreement with Mitsubishi included a carry of Buru Energy's costs for the development of Ungani up to a total $27.5 million, subject to a number of operational and production hurdles being achieved. Tranche 1 of $9 million was available up to 18 January 2017 with the majority of these funds having been spent on the Ungani FW 1 well and the 2015 Ungani surface facilities upgrade. Approximately $2.5 million from tranche 1 remained unspent as of 18 January 2017 and the company reached agreement with Mitsubishi that a portion of those funds will remain available until 18 May 2017. The tranche 2 funding of $7.5m plus any amount rolled over from tranche 1 is available subject to a production hurdle of 3,000 bopd. Tranche 3 remains at $11 million and is subject to a production hurdle of 5,000 bopd.

General Corporate

The Company continued its very successful program of cost reduction and spending restraint during the year. Due to the size and complexity of the Company's portfolio it must maintain a minimum level of suitably experienced and qualified personnel to undertake its operations safely and in compliance with regulations and has put in place a structure that achieves this.

The Directors present their report together with the consolidated financial statements of the Group comprising Buru Energy Limited ("Buru Energy" or "Group") and its subsidiaries for the year ended 31 December 2016, and the auditor's report thereon.
The remuneration report for the year ended 31 December 2016 on pages 18 to 22 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 Eric Streitberg, BSc (App Geoph) *Executive Chairman* 	Mr Streitberg has more than 40 years of 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 was also the founding shareholder and Managing Director of Discovery Petroleum which was a key participant in the renaissance of the Perth Basin as a significant gas producer until the takeover of that company in 1996. Prior to that he held various senior international exploration roles with Occidental Petroleum and BP. He was a founding shareholder and Non-executive Director of Adelphi Energy Limited from 2005 until its takeover in 2010. 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. Mr Streitberg is a Director and past Chair of the Australian Petroleum Production and Exploration Association and has also chaired the APPEA Exploration and Environment Committees. He is the immediate past Chair of the Marine Parks and Reserves Authority of Western Australia. Mr Streitberg is a Certified Petroleum Geologist and Geophysicist and holds a Bachelor of Science (App. Geoph.) from the University of Queensland. Mr Streitberg has been a Director since October 2008 and has been the Executive Chairman since May 2014, he is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee.

Name, qualifications and independence status	Experience, special responsibilities and other directorships

Ms Eve Howell

Independent Non-executive Director

Ms Howell has over 40 years of experience in the oil and gas industry in a number of technical and managerial roles, primarily with Amoco Corporation, Apache Energy Ltd and Woodside Energy Ltd. She is a director of ASX-listed Downer EDI Ltd and MMA Offshore Ltd.

Ms Howell has previously served on a number of boards including Tangiers Petroleum (as Executive Chairman), the Fremantle Port Authority, the Australian Petroleum Production and Exploration Association where she chaired the Environment Committee, and as a board member and President of the Australian Mines and Metals Association. She is a Graduate of the Australian Institute of Company Directors.

Ms Howell began her exploration career in the UK and since 1981 has worked for several Australian based companies including Apache during a time when the company developed significant oil production from the offshore Carnarvon Basin and became the second largest domestic gas supplier. She held various senior positions with Apache in Australia including Exploration Manager, Business Development Manager and Managing Director. Between 2006 and 2011, Ms Howell was a Woodside Executive Committee member, with her positions including Executive Vice President - North West Shelf and Executive Vice President – Health, Safety and Security for all Woodside's operations.

Ms Howell holds a Bachelor of Science (with Honours in Geology and Mathematics) from King's College, University of London and an MBA from the Edinburgh Business School.

Ms Howell has been a Director since July 2014, is the Chairperson of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

Mr Robert Willes

Independent Non-executive Director

Mr Willes has over 30 years of extensive international experience in the oil and gas and energy industries. He is currently Managing Director of Challenger Energy Ltd, an ASX-listed oil and gas explorer with exposure to the emerging world-scale shale gas province in South Africa's Karoo Basin. He has previously served on a number of boards including the Australian Petroleum Production and Exploration Association (APPEA), North West Shelf Gas Pty Ltd, North West Shelf Liaison Co. Pty Ltd, North West Shelf Australia LNG Pty Ltd, North West Shelf Shipping Services Co. Pty Ltd, Carbon Reduction Ventures Pty Ltd and Perth Centre for Photography. His early career with BP involved several positions in petroleum product supply, trading and marketing, and as a lead negotiator for numerous gas transactions in Europe. He subsequently joined BP's Group Mergers and Acquisitions team, where he led the divestments of Burmah Castrol's Chemicals Division and Great Yarmouth Power Ltd, and advised the Corporation on a number of acquisition opportunities. In Australia, Mr Willes was BP's General Manager of the North West Shelf LNG Project. He also had overall accountability for BP's interests in the Browse LNG and Greater Gorgon LNG Projects, and for Business Development activities in Asia Pacific. More recently, Mr Willes was CEO of Eureka Energy Limited, and was instrumental in managing the recommended A$107million on-market takeover by Aurora Oil and Gas Limited. Mr Willes is a Graduate of the Australian Institute of Company Directors and member of the Association of International Petroleum Negotiators. He holds an Honours Degree in Geography from Durham University in the UK, and has completed Executive Education Programmes at Harvard Business School in the USA and Cambridge University in the UK.

Mr Willes has been a Director since July 2014, is the Chairperson of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.

The Company also notes a previous long serving Director of the Company, Hon Peter Jones, passed away in January 2017. The Board expresses its sympathy to his family and its thanks for his long and meritorious service to both Buru Energy and its predecessor company, ARC Energy Limited.

Company Secretary

Mr Shane McDermott, CA, AGIA, BComm (Accounting and Finance) has an accounting and auditing background having worked at a large international accounting practice for five years at its Perth office before joining Buru Energy in 2009. He is a member of the Institute of Chartered Accountants Australia and an Associate of the Governance Institute of Australia. Mr McDermott has been Company Secretary from December 2011.

Board and Committee Meetings

The number of Board and Committee meetings and the number of meetings attended by each of the Directors of the Company during the year were:

Meeting	Board Meetings		Audit & Risk Committee Meetings		Remuneration & Nomination Committee Meetings	
Director	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**
Eric Streitberg	13	13	4	4	3	3
Eve Howell	13	13	4	4	3	3
Robert Willes	13	13	4	4	3	3

Principal Activities

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

Operations Review

The Operations Review for the year ended 31 December 2016 is set out on pages 7 to 12 and forms part of this Directors' Report.

Operating Results

The consolidated loss of the Group after providing for income tax for the year ended 31 December 2016 was $33,982,000 (31 December 2015: $40,424,000) which included a non–cash impairment expense against capitalised exploration expenditure of $21,327,000 (31 December 2015: $29,158,000).

Financial Position

The net assets of the Group totalled $56,216,000 as at 31 December 2016 (31 December 2015: $90,027,000).

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

No significant events have occurred subsequent to balance date other than those already disclosed in the Operations Review.

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 Operations Review. 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

Buru Energy is subject to environmental regulation under relevant Australian and Western Australian legislation in relation to its oil and gas exploration and production activities. The DMP is the primary regulator in Western Australia for petroleum activities though the Group's activities are also regulated by the Western Australian Department of Environment Regulation (DER) and Western Australian Department of Water (DOW). 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:

Directors	Ordinary Shares	Unlisted Options	Share Appreciation Rights
Eric Streitberg	28,720,566	–	–
Eve Howell	245,000	–	–
Robert Willes	–	–	–
Total	**28,965,566**	–	–

Share Options

At the date of this report, the unissued shares of the Company (all of which are held by employees of the Company) under option are as follows:

Date of Expiry	Exercise Price	Number of shares under Option
31 December 2017	$0.80	3,150,000

All unissued shares are 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. Further details about options granted to Directors or senior executives during the financial year are included in the Remuneration Report on pages 18 to 22. No options have been granted since the end of the reporting period. During or since the end of the reporting period, no shares were issued on the exercise of options previously granted as remuneration.

Share Appreciation Rights

Details of the Share Appreciation Rights (SARs) outstanding as at the date of this report are as follows:

Number of SARs granted	Grant date	Vesting date	Exercise price per SAR ($)	Expiry date	% of SARs vested	% of SARs forfeited	Year in which grant vests
1,020,066	3 Jan 14	31 Oct 16*	1.63	3 Jan 18	0%	0%	2016

* This is the service period vesting date. The vesting is also subject to various performance hurdles relating to Relative Total Shareholder Return

No SARs were granted to Directors or senior executives during the financial year as set out in the Remuneration Report on pages 18 to 22.

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 year, the Company has paid insurance premiums of $47,619 (2015: $56,628) in respect of Directors' and officers' liability. The premiums cover 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 ended 31 December 2016, the amount paid or payable to the Group's auditor (KPMG Australia) for statutory and other audit and review services totalled to $80,250 (31 December 2015: $97,600).

Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 23 and forms part of the Directors' Report for the year ended 31 December 2016.

Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the Consolidated Financial Statements 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.

Mr Eric Streitberg
Executive Chairman
Perth
31 March 2017

Mr Robert Willes
Non–executive Director
Perth
31 March 2017

Principles of remuneration – Audited

The Directors present their Remuneration Report for Buru Energy for the year ended 31 December 2016. 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.

KMP have the 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*.

Remuneration levels for KMP are competitively set to attract and retain appropriately qualified and experienced Directors and executives. The remuneration 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 remuneration structures take into account:

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

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

Fixed remuneration

Fixed remuneration consists of base remuneration (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. Remuneration 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 remuneration is competitive in the market place. Remuneration is also reviewed on promotion.

Performance linked remuneration

Performance linked remuneration 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. Any short–term incentive (STI) is an 'at risk' bonus provided in the form of cash, while any long–term incentive (LTI) is provided under the Employee Share Option Plan (ESOP) or as Share Appreciation Rights (SARs) to KMP. The LTIs are structured to ensure that incentives are appropriately aligned to sustainable shareholder value creation.

Short–term incentive bonuses

The payments of bonuses are 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. All STI bonuses are subject to Board approval. 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.

There were no STI bonuses paid during 2016.

Long–term incentive bonuses

The Remuneration and Nomination Committee considers that an LTI scheme structured around equity based remuneration 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.

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.

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.

There were no options or SARs issued during 2016.

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 Company's relative share price performance is the primary measure when the Board considers the effectiveness of STI and LTI remuneration consequences on shareholder wealth.

Service contracts

The employment contract with the Executive Chairman, Mr Eric Streitberg, is unlimited in term but capable of termination with three months' notice by either party, or by payment in lieu thereof at the discretion of the Company.

Service contracts with all other current non–Director KMP 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 Remuneration & Nomination Committee determined the amount of remuneration 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. Remuneration 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 remuneration policy.

Services from remuneration consultants

There were no services received from remuneration consultants during the period.

Non–executive Directors

Total fixed remuneration for all Non–executive Directors, last voted upon by shareholders at the 2012 Annual General Meeting, is not to exceed $600,000 per annum. The Non–executive Directors' base fee is $92,000 plus statutory superannuation per annum. The Chairman's base fee is ordinarily $150,000 plus statutory superannuation per annum, however the current Chairman, Mr Streitberg, is not eligible for this remuneration as he is not acting in a non–executive capacity. 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 Remuneration – Audited

Details of the nature and amount of each major element of remuneration of each director of the Company and other key management personnel of the consolidated entity are:

		Short–term				Post–employment			Share–based payments			
		Salary & Fees	STI cash bonus	Non–monetary benefits (A)	Total	Superannuation benefits	Other long term	Termination benefits (B)	ESOP / SARs (C)	Total	s300A(1)(e)(i) proportion of remuneration performance related	s300A(1)(e)(vi) value of share based payments as a proportion of remuneration
Non–executive Directors												
Ms E Howell, NED	2016	113,000	–	–	**113,000**	10,735	–	–	–	**123,735**	0.00%	0.00%
	2015	110,667	–	–	**110,667**	10,447	–	–	–	**121,114**	0.00%	0.00%
Mr R Willes, NED	2016	113,000	–	–	**113,000**	10,735	–	–	–	**123,735**	0.00%	0.00%
	2015	113,000	–	–	**113,000**	10,664	–	–	–	**123,664**	0.00%	0.00%
The Hon. P Jones AM, NED	2016	–	–	–	**–**	–	–	–	–	**–**	0.00%	0.00%
(Resigned Apr 2015)	2015	35,494	–	–	**35,494**	3,301	–	–	–	**38,795**	0.00%	0.00%
Total Non–executive Directors' Remuneration	**2016**	**226,000**	**–**	**–**	**226,000**	**21,470**	**–**	**–**	**–**	**247,470**	**0.00%**	**0.00%**
	2015	**259,161**	**–**	**–**	**259,161**	**24,412**	**–**	**–**	**–**	**283,573**	**0.00%**	**0.00%**
Executive Directors												
Mr E Streitberg, Executive Chairman	2016	620,000	–	16,792	**636,792**	58,900	–	–	–	**695,692**	0.00%	0.00%
	2015	620,000	–	15,640	**635,640**	58,900	–	–	–	**694,540**	0.00%	0.00%
Total Directors' Remuneration	**2016**	**846,000**	**–**	**16,792**	**862,792**	**80,370**	**–**	**–**	**–**	**943,162**		
	2015	**879,161**	**–**	**15,640**	**894,801**	**83,312**	**–**	**–**	**–**	**978,113**		

		Short-term				Post-employment			Share-based payments			
		Salary & Fees	STI cash bonus	Non-monetary benefits (A)	Total	Superannuation benefits	Other long term	Termination benefits (B)	ESOP / SARs (C)	Total	s300A(1)(e)(i) proportion of remuneration performance related	s300A(1)(e)(vi) value of share based payments as a proportion of remuneration
Executives												
Mr N Rohr, General Counsel	2016	402,525	–	15,198	**417,723**	30,000	–	–	49,819	**497,542**	10.01%	10.01%
	2015	397,050	–	14,435	**411,485**	30,000	–	–	102,546	**544,031**	18.85%	18.85%
Mr S McDermott, Head of Finance & Company Secretary	2016	273,750	–	10,516	**284,266**	26,006	–	–	15,180	**325,452**	4.66%	4.66%
	2015	270,000	–	16,856	**286,856**	25,506	–	–	66,161	**378,523**	17.48%	17.48%
Mr R Aden, General Manager – Commercial (Ceased employment Feb 2016)	2016	64,718	–	1,180	**65,898**	21,823	–	165,000	–	**252,721**	0.00%	0.00%
	2015	330,000	–	14,762	**344,762**	31,350	–	–	50,215	**426,327**	11.78%	11.78%
Mr P Milford, Chief Operating Officer (Ceased employment Jan 2015)	2016	–	–	–	**–**	–	–	–	–	**–**	0.00%	0.00%
	2015	33,160	–	–	**33,160**	20,567	–	183,333	–	**237,060**	0.00%	0.00%
Total Executive Officer Remuneration	**2016**	**740,993**	**–**	**26,894**	**767,887**	**77,829**	**–**	**165,000**	**64,999**	**1,075,715**		
	2015	**1,030,210**	**–**	**46,053**	**1,076,263**	**107,423**	**–**	**183,333**	**218,922**	**1,585,941**		
Total Directors and Executive Officer Remuneration	**2016**	**1,586,993**	**–**	**43,686**	**1,630,679**	**158,199**	**–**	**165,000**	**64,999**	**2,018,877**		
	2015	**1,909,371**	**–**	**61,693**	**1,971,064**	**190,735**	**–**	**183,333**	**218,922**	**2,564,054**		

Notes in relation to the table of KMP remuneration

A. Non–monetary benefits to KMP relate to the provision of car parking, life insurance and salary continuance insurance.

B. Mr Aden ceased employment with the Company in February 2016. Mr Aden was provided with a termination benefit of 6 months' salary based on an annual salary of $330,000 in accordance with his employment contract.

C. No options under the ESOP, or SARs, were issued in 2016. The remuneration for share based payments in 2016 relate to the SARs which were granted in 2014. The fair value was calculated at the date of grant using the Black & Scholes option–pricing model and expensed over the vesting period. The value disclosed in this reporting period is the portion of the fair value of the SARs recognised in this reporting period.

Loans to Key Management Personnel

There were no loans outstanding at the end of the period to key management personnel or their related parties.

Shares held by Key Management Personnel

KMP	Held at 1 Jan 16	Commenced as KMP / Ceased as KMP	Exercise of options	Purchased	Sold	Held at 31 Dec 16
Mr E Streitberg	28,720,566	–	–	–	–	28,720,566
Ms E Howell	145,000	–	–	100,000	–	245,000
Mr S McDermott	70,000	–	–	–	–	70,000

Analysis of share based payments – ESOP

The movement during the period by number of options granted under the ESOP to KMP during the period is detailed below.

KMP	Held at 1 Jan 16	Granted as remuneration	Exercised	Lapsed / Forfeited	Held at 31 Dec 16	Vested during the year	Vested and exercisable
Mr N Rohr	600,000	–	–	(300,000)	300,000	–	300,000
Mr S McDermott	600,000	–	–	(300,000)	300,000	–	300,000
Mr R Aden	600,000	–	–	(600,000)	–	–	–

No options have been granted during, or since the end, of the financial year. All options were provided at no cost to the recipients and expire on the earlier of their expiry date or 30 days after the termination of the individual's employment. All options vested immediately and were exercisable from grant date. No terms of options granted as remuneration to a KMP have been altered or modified by the issuing entity during the reporting period or the prior period. During the reporting period, no shares were issued on the exercise of options previously granted as remuneration.

Analysis of share based payments – SARs

No Share Appreciation Rights (SARs) were granted to KMP during the reporting period. The movement during the period by number of SARs granted to KMP during the period is detailed below.

KMP	Held at 1 Jan 16	Granted as remuneration	Exercised	Lapsed	Held at 31 Dec 16	Vested during the year	Vested and exercisable
Mr N Rohr	221,839	–	–	–	221,839	–	–
Mr S McDermott	67,596	–	–	–	67,596	–	–

No SARs have been granted since the end of the financial year. All SARs were provided at no cost to the recipients and expire on the earlier of their expiry date or on the termination of the individual's employment. The SARs are subject to service conditions and performance hurdles before they vest. The service condition is continued employment with the Company from 1 November 2013 to 31 October 2016. The performance hurdles are measured against Total Shareholder Return (TSR) against a custom peer group of companies and the ASX 200 over three separate tranches with the third tranche concluding 31 October 2016. No terms of SARs granted as remuneration to a KMP have been altered or modified by the issuing entity during the reporting period or the prior period. During the reporting period, no shares were issued on the exercise of SARs previously granted as remuneration.

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 31 December 2016 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

G Hogg

Graham Hogg
Partner

Perth

31 March 2017

Consolidated Statement of Financial Position

As at 31 December 2016

in thousands of AUD	Note	31 December 2016	31 December 2015
CURRENT ASSETS			
Cash and cash equivalents	19a	21,052	33,897
Trade and other receivables	17	912	2,003
Inventories	18	2,372	2,966
Agricultural assets	33	–	2,625
Total Current Assets		**24,336**	**41,491**
NON–CURRENT ASSETS			
Property, plant and equipment	12	5,254	10,702
Exploration and evaluation expenditure	13	21,962	48,240
Oil and gas assets	14	21,550	24,129
Investments	15	51	105
Total Non–Current Assets		48,817	83,176
TOTAL ASSETS		**73,153**	**124,667**
CURRENT LIABILITIES			
Trade and other payables	22	630	7,655
Provisions	24	1,256	1,387
Total Current Liabilities		**1,886**	**9,042**
NON–CURRENT LIABILITIES			
Loans and borrowings	23	10,989	21,507
Provisions	24	4,062	4,091
Total Non–Current Liabilities		15,051	25,598
TOTAL LIABILITIES		**16,937**	**34,640**
NET ASSETS		**56,216**	**90,027**
EQUITY			
Contributed equity		258,211	258,211
Reserves		1,213	2,626
Accumulated losses		(203,208)	(170,810)
TOTAL EQUITY		**56,216**	**90,027**

The notes on pages 28 to 58 are an integral part of these consolidated financial statements

in thousands of AUD	Note	31 December 2016	31 December 2015
Continuing operations			
Revenue	7	219	3,484
Operating / care and maintenance costs		(1,446)	(5,294)
Amortisation of oil and gas assets	14	(2,788)	(2,198)
Gross loss		**(4,015)**	**(4,008)**
Other income	8	80	457
Exploration and evaluation expenditure		(3,308)	(1,639)
Impairment of exploration expenditure	13	(21,327)	(29,158)
Impairment of inventories	18	(464)	(2,950)
Impairment of financial asset	15	(224)	–
Corporate and administrative expenditure	9	(5,842)	(6,736)
Share based payment expenses	25	–	(981)
Operating loss		**(35,100)**	**(45,015)**
Financial income / (expense)	10	(1,221)	5,110
Net finance income / (costs)		**(1,221)**	**5,110**
Loss before tax		**(36,321)**	**(39,905)**
Income tax expense	11	–	–
Loss from continuing operations		**(36,321)**	**(39,905)**
Discontinued operations			
Profit / (loss) from discontinued operation, net of tax (Yakka Munga Pastoral Lease)	33	2,339	(519)
Net loss		**(33,982)**	**(40,424)**
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		171	(496)
Other comprehensive income / (loss) for the period, net of income tax		**171**	**(496)**
Total comprehensive loss for the period		**(33,811)**	**(40,920)**
Loss per share and diluted loss per share (cents)	21	**(9.99)**	**(11.89)**
Loss per share and diluted loss per share for continuing operations (cents)	21	**(10.68)**	**(11.74)**

The notes on pages 28 to 58 are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

in thousands of AUD	Share capital $	Share based payment reserve $	Financial asset revaluation reserve $	Retained losses $	Total equity $
Balance as at 1 January 2015	**258,211**	**1,991**	**325**	**(130,561)**	**129,966**
Comprehensive income for the period					
Loss for the period	–	–	–	(40,424)	(40,424)
Net change in fair value of available–for–sale financial assets	–	–	(496)	–	(496)
Total comprehensive loss for the period	**–**	**–**	**(496)**	**(40,424)**	**(40,920)**
Transactions with owners recorded directly in equity					
Share based payment transactions	–	981	–	–	981
Share options/ share appreciation rights forfeited	–	(175)	–	175	–
Total transaction with owners recorded directly in equity	**–**	**806**	**–**	**175**	**981**
Balance as at 31 December 2015	**258,211**	**2,797**	**(171)**	**(170,810)**	**90,027**

	Share capital $	Share based payment reserve $	Financial asset revaluation reserve $	Retained losses $	Total equity $
Balance as at 1 January 2016	**258,211**	**2,797**	**(171)**	**(170,810)**	**90,027**
Comprehensive income for the period					
Loss for the period	–	–	–	(33,982)	(33,982)
Net change in fair value of available–for–sale financial assets	–	–	171	–	171
Total comprehensive loss for the period	**–**	**–**	**171**	**(33,982)**	**(33,811)**
Transactions with owners recorded directly in equity					
Share options/ share appreciation rights forfeited	–	(1,584)	–	1,584	–
Total transaction with owners recorded directly in equity	**–**	**(1,584)**	**–**	**1,584**	**–**
Balance as at 31 December 2016	**258,211**	**1,213**	**–**	**(203,208)**	**56,216**

The notes on pages 28 to 58 are an integral part of these consolidated financial statements

in thousands of AUD		31 December 2016	31 December 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from sales of crude oil		744	3,992
Cash receipts from other income		80	1,275
Payments to suppliers and employees		(6,543)	(11,716)
Payments for exploration and evaluation		(5,065)	(2,589)
Net cash outflow from operating activities	19b	**(10,784)**	**(9,038)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		842	1,209
Withdrawal of cash held in escrow		–	22,402
Payments for purchase of plant and equipment		(99)	(72)
Payments for exploration and evaluation		(5,354)	(21,410)
Research and development tax concession received		5,814	2,219
Payments for oil and gas development		(386)	(130)
Payments for acquisition of Yakka Munga Pastoral Lease		–	(6,300)
Disposal of discontinued operation (Yakka Munga Pastoral Lease)	33	9,654	–
Net cash outflow from investing activities		**10,471**	**(2,082)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loan		(12,500)	(15,000)
Net cash inflow/(outflow) from financing activities		**(12,500)**	**(15,000)**
Net increase / (decrease) in cash and cash equivalents		(12,813)	(26,120)
Cash and cash equivalents at the beginning of the period		33,897	59,893
Effect of exchange rate changes on cash and cash equivalents		(32)	124
Cash and cash equivalents at end of the period	19a	**21,052**	**33,897**

The notes on pages 28 to 58 are an integral part of these consolidated financial statements

1. Reporting Entity

Buru Energy Limited (Buru Energy or the Company) is a for profit company domiciled in Australia. The address of the Company's registered office is Level 2, 88 William Street, Perth, Western Australia. The consolidated financial statements of the Company as at, and for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in jointly controlled entities. The Group is primarily involved in oil and gas exploration and production in the Canning Basin in the Kimberley region of northwest 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 31 March 2017.

(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;
- Agricultural 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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the Consolidated Financial Statements and Directors' Report have been rounded off to the nearest thousand dollars, 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 33 – Agricultural Assets

The fair value less costs to sell is determined by reference to the market price of livestock of similar age, weight and market destination. Net increments or decrements in the fair value of the cattle are recognised as income or expenses in the statement of profit or loss and other comprehensive income, determined as the difference between the total fair values of the cattle recognised as at the beginning of the period and the total fair values of the cattle recognised as at the reporting date.

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 14 – Oil and Gas Assets

The estimated quantities of proved and probable hydrocarbon reserves and resources reported by the group are integral to the calculation of amortisation (depletion), depreciation and assessments of possible impairments. Estimated reserves and resources quantities are based upon interpretations of geological and geophysical models and assessment of the technical feasibility and commercial viability of producing the reserves and resources. Management prepare estimates which conform to guidelines prepared by the Society of Petroleum Engineers. These assessment require assumptions to be made regarding future development and production costs, commodity prices, exchange rates and fiscal regimes. The estimates of reserves and resources may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of operations.

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 – Loans and Borrowings

Loans and borrowings are initially recognised at fair value. If a loan or borrowing is not based upon market terms then it is accounted for in accordance with AASB 139 Application Guidance 64 (AG64), which states that "the fair value of an originated long–term loan or borrowing that carries no interest can be estimated as the present value of all future cash payments discounted using the market rate of interest for a similar instrument with a similar credit rating".

Note 24 – 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 Basin in accordance with the requirements of the Department of Environmental Regulation and the Department of Mines and Petroleum. Significant estimates and assumptions are required to determine the provision for site rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the timing, 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 25 – 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

The Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these consolidated financial statements.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently by Group entities to all periods presented in these consolidated financial statements.

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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) Joint arrangements

A joint arrangement is an arrangement over which two or more parties have joint control. Joint control exists only when decisions about the relevant activities – i.e. those that significantly affect the returns of the arrangement – require the unanimous consent of the parties sharing control of the arrangement. Buru Energy has numerous arrangements which meet this definition for its oil and gas activities in different exploration permits.

In accordance with AASB 11, the arrangements have been classified as joint operations (whereby the jointly controlling parties have rights to the assets and obligations for the liabilities relating to the arrangement) as opposed to a joint venture because separate vehicles have not been established through which activities are conducted. The Group therefore recognises its assets, liabilities and transactions, including its share of those incurred jointly, in its consolidated financial statements.

(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
- intangibles — 5 years
- heritage and cultural assets — not depreciated
- pastoral leases — 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 and evaluation expenditure in respect of each area of interest is accounted for using the successful efforts method of accounting. The successful efforts method requires all exploration and evaluation expenditure to be expensed in the period it is incurred, except the costs of successful wells and the costs of acquiring interests in new exploration assets, which are capitalised as intangible exploration and evaluation. The costs of wells are initially capitalised pending the results of the well.

An area of interest refers to an individual geological area where the presence of oil or a natural gas field is considered favourable or has been proved to exist, and in most cases will comprise an individual prospective oil or gas field.

Exploration and evaluation expenditure is recognised in relation to an area of interest when the rights to tenure of the area of interest are current and either:

a) such expenditure is expected to be recovered through successful development and commercial exploitation of the area of interest or, alternatively, by its sale; or
b) the exploration activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Where an ownership interest in an exploration and evaluation asset is exchanged for another, the transaction is recognised by reference to the carrying value of the original interest. Any cash consideration paid, including transaction costs, is accounted for as an acquisition of exploration and evaluation assets.

Any cash consideration received, net of transaction costs, is treated as a recoupment of costs previously capitalised with any excess accounted for as a gain on disposal of non-current assets.

The carrying amounts of the Group's exploration and evaluation assets are reviewed at each reporting date to determine whether any of the following indicators of impairment exists:

a) tenure over the licence area has expired during the period or will expire in the near future, and is not expected to be renewed; or
b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is not budgeted or planned; or
c) exploration for and evaluation of resources in the specific area has not led to the discovery of commercially viable quantities of resources, and the Group has decided to discontinue activities in the specific area; or
d) sufficient data exist to indicate that although a development is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or from sale.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made and any resultant impairment loss is recognised in the income statement.

When a discovered oil or gas field enters the development phase the accumulated exploration and evaluation expenditure is transferred to oil and gas assets – assets in development.

(e) Oil and Gas Assets

Assets in development

The costs of oil and gas assets in development are separately accounted for and include past exploration and evaluation costs, development drilling and other subsurface expenditure, surface plant and equipment and any associated land and buildings.

When the committed development expenditure programs are completed and production commences, these costs are subject to amortisation. Once the required statutory documentation for a Production Licence is received the accumulated costs are transferred to oil and gas assets – producing assets.

(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: cash and cash equivalents, loans and receivables and available–for–sale financial assets.

Cash and cash equivalents

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.

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.

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, 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, and loans and borrowings.

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 Energy 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.

Loans and borrowings

Loans and borrowings include interest free loans which are initially recognised at fair value. The difference between fair value and cash consideration received under these loans will be recognised in the income statement as interest income.

Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. The accretion in the liabilities over the life of the loans to the ultimate maturity amount will be recognised in the income statement as interest expense.

(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 valued at the lower of cost or 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. Cost is determined as follows:

a) Materials and consumables, which include drilling and maintenance stocks, are valued at the cost of acquisition which includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition; and
b) petroleum products, comprising extracted crude oil stored in tanks and pipeline systems, are valued using the full absorption cost method.

Inventories are accounted for on a FIFO basis.

(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 deferred tax assets and 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 expensed as the related service is provided.

A liability is recognised for the amount expected to be paid 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), the difference between fair value and cash consideration received under interest free loans 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.

PRRT

Petroleum Resource Rent Tax (**PRRT**) is considered for accounting purposes to be a tax on income. Accordingly, current and deferred PRRT expense is measured and disclosed on the same basis as income tax.

Tax consolidation

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 Energy 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 Energy's other components. All operating segments' operating results are reviewed regularly by the Group's Executive Chairman and Head of Finance to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Segment results that are reported to the Executive Chairman and Head of Finance 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) Discontinued Operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a single major line of business or geographic area of operations;
- is part of a single co–ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re–sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held–for–sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is represented as if the operation has been discontinued from the start of the comparative year.

(t) 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.

(u) Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not mandatory but available for early adoption for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. Those that may be relevant are AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers, both of which will become mandatory for the Group's 2018 consolidated financial statements and AASB 16 Leases which becomes mandatory for the Group's 2019 consolidated financial statements. The Group is currently assessing the impact of adoption of these standards on its financial statements. The Group does not plan to adopt these standards early.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRS 14 Regulatory Deferral Accounts;
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11);
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38);
- Equity Method in Separate Financial Statements (Amendments to IAS 27);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);
- Annual Improvements to IFRSs 2012–2014 Cycle – various standards;
- Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality;
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28); and
- Disclosure Initiative (Amendments to IAS 1).

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. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 15 – Investments;
- Note 23 – Loans and borrowings;;
- Note 25 – Share–based payment arrangements; and
- Note 33 – Agricultural assets (discontinued operation).

5. Segment Information

The Group has only one reportable geographical segment being the Canning Basin in northwest Western Australia. The reportable operating segments are based on the Group's strategic business units: oil, gas and exploration plus an additional segment for the Yakka Munga Pastoral Lease which operation was discontinued during the year. For each of the strategic business units, the Group's Executive Chairman, Head of Finance and other executives review internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable operating segments:

- Oil: Primarily includes the development and production of the Ungani conventional Oilfield and the currently shut–in Blina and Sundown Oilfields.
- Gas: Exploration and appraisal of gas is currently concentrated in the Valhalla/Asgard and Yulleroo areas where gas has been intersected in the Laurel Formation.
- Exploration: The exploration program is focused on prospects along the Ungani oil trend and evaluation of the other areas in the Group's portfolio.
- Pastoral Lease (discontinued operation): Includes the transactions and balances relating to the Yakka Munga Pastoral Lease and the cattle on that station.

Information regarding the results of each reportable segment is included below. Performance is measured in regard to the Group and its segments principally with reference to earnings before interest and tax, and capital expenditure on exploration and evaluation assets, oil and gas assets, and property, plant and equipment. The corporate segment represents a reconciliation of reportable segments revenues, profit or loss and assets to the consolidated figures.

Profit and loss	**Oil**		**Gas**		**Exploration**		**Pastoral Lease (Discontinued)**		**Corporate***		**Total**	
in thousands of AUD	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**
External revenues	219	3,484	–	–	–	–	–	–	–	–	219	3,484
Operating costs	(1,446)	(5,294)	–	–	–	–	–	–	–	–	(1,446)	(5,294)
Amortisation of oil and gas assets	(2,788)	(2,198)	–	–	–	–	–	–	–	–	(2,788)	(2,198)
Gross Profit	**(4,015)**	**(4,008)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,015)**	**(4,008)**
Other income	–	–	–	–	–	–	–	–	80	457	80	457
Exploration and evaluation expenditure	–	–	–	–	(3,308)	(1,639)	–	–	–	–	(3,308)	(1,639)
Impairment of exploration and evaluation expenditure	–	–	–	–	(21,327)	(29,158)	–	–	–	–	(21,327)	(29,158)
Impairment of inventories	–	–	–	–	(464)	(2,950)	–	–	–	–	(464)	(2,950)
Impairment of financial asset	–	–	–	–	–	–	–	–	(224)	–	(224)	–
Corporate and administrative expenditure, including depreciation	–	–	–	–	–	–	–	–	(5,842)	(6,736)	(5,842)	(6,736)
Share based payment expenses	–	–	–	–	–	–	–	–	–	(981)	–	(981)
Profit / (loss) from discontinued operation	–	–	–	–	–	–	2,339	(519)	–	–	2,339	(519)
EBIT	**(4,015)**	**(4,008)**	**–**	**–**	**(25,099)**	**(33,747)**	**2,339**	**(519)**	**(5,986)**	**(7,260)**	**(32,761)**	**(45,534)**
Financial income	–	–	–	–	–	–	–	–	(1,221)	5,110	(1,221)	5,110
Reportable segment profit / (loss) before tax	**(4,015)**	**(4,008)**	**–**	**–**	**(25,099)**	**(33,747)**	**2,339**	**(519)**	**(7,207)**	**(2,150)**	**(33,982)**	**(40,424)**

* Corporate represents reconciliation of reportable segments to IFRS measures

Total Assets	**Oil**		**Gas**		**Exploration**		**Pastoral Lease (Discontinued)**		**Corporate**		**Total**	
in thousands of AUD	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**	**Dec 16**	**Dec 15**
Current assets	–	960	–	–	2,372	2,583	–	2,625	21,964	35,323	24,336	41,491
Property, plant and equipment	–	–	–	–	–	–	–	4,375	5,254	6,327	5,254	10,702
Exploration and evaluation assets	–	–	21,962	31,363	–	16,877	–	–	–	–	21,962	48,240
Oil and gas assets – development	21,550	24,129	–	–	–	–	–	–	–	–	21,550	24,129
Investments	–	–	–	–	–	–	–	–	51	105	51	105
Total Assets	**21,550**	**25,089**	**21,962**	**31,363**	**2,372**	**19,460**	**–**	**7,000**	**27,269**	**41,755**	**73,153**	**124,667**
Capital Expenditure	**209**	**11,661**	**–**	**–**	**863**	**14,687**	**–**	**7,000**	**106**	**78**	**1,178**	**33,426**
Total Liabilities												
Current liabilities	–	–	–	–	1,489	8,514	–	–	397	528	1,886	9,042
Loans and borrowings	–	–	–	–	–	–	–	–	10,989	21,507	10,989	21,507
Provisions (Non–current)	519	519	–	–	3,387	3,387	–	–	156	185	4,062	4,091
Total Liabilities	**519**	**519**	**–**	**–**	**4,876**	**11,901**	**–**	**–**	**11,542**	**22,220**	**16,937**	**34,640**

* Corporate represents reconciliation of reportable segments to IFRS measures

6. Financial Risk Management

Fair value vs carrying amounts

The carrying value of financial assets and liabilities in the statement of financial position not already measured at fair value are materially equal to their fair values.

Credit risk of trade and other receivables

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.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and 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 receivables in a timely manner and as such there is no reason to believe that this will not continue going forward. No other receivables are considered to have a material credit risk.

Financial instruments carried at fair value

Fair value measurements for financial instruments are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group's available for sale financial assets are classed as Level 1 and the Group's agricultural assets and long term interest free loan are classed at Level 2. The Group has no other financial instruments measured at fair value.

Exposure to credit risk

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

	Note	Carrying amount	
in thousands of AUD		31 December 2016	31 December 2015
Trade and other receivables (excluding prepayments)	17	802	1,899
Cash and cash equivalents	19a	21,052	33,897
Available–for–sale financial assets	15	51	105
		21,905	35,900

Trade and other receivables include accrued interest receivable from Australian accredited banks of $72,000 (31 Dec 2015: $68,000), and tax amounts receivable of $38,000 (31 Dec 2015: $1,419,000) from the Australian Taxation Office (refer to note 17).

Cash and cash equivalents

The Group held cash and cash equivalents of $21,052,000 at 31 December 2016 (31 Dec 2015: $33,897,000) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated at least AA–, based on rating agency Fitch Ratings.

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 (excluding provisions) and loans and borrowings:

	Carrying amount	
in thousands of AUD	31 December 2016	31 December 2015
Less than 1 year	630	7,655
1 – 5 years (i)	12,500	21,507
	13,130	29,162

(i) The contractual maturities reflect the interest free borrowings from Alcoa of Australia Limited at amortised cost using the effective interest rate method (Note 23).

Market risk

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

Currency risk

The companies in the Group are exposed to currency risk on sales that are denominated in a currency other than the functional currency of the companies in 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:

	31 December 2016		31 December 2015	
in thousands	**AUD**	**USD**	**AUD**	**USD**
Cash and cash equivalents	7	5	514	375
Trade receivables	–	–	577	422
Gross balance sheet exposure	7	5	1,091	797

The average exchange rate from AUD to USD during the period was AUD 1.0000 / USD 0.7443 (Dec 2015: AUD 1.0000 / USD 0.7524). The reporting date spot rate was AUD 1.0000 / USD 0.7236 (Dec 2015: AUD 1.0000 / USD 0.7306).

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 $20,000 (Dec 2015: increased loss after tax by $316,000). 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 $22,000 (Dec 2015: decreased loss after tax by $348,000). This analysis assumes that all other variables remain constant.

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 interest–bearing 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. Fixed rate instruments are term deposits held for less than 3 months, therefore the fair value approximates the carrying amount.

At the reporting date the Group's interest–bearing financial instruments were as follows:

	Carrying amount	
in thousands of AUD	**31 December 2016**	**31 December 2015**
Fixed rate instruments		
Cash and cash equivalents with fixed interest	18,040	28,870
Total fixed interest bearing financial assets	18,040	28,870

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.

	Carrying amount	
in thousands of AUD	**31 December 2016**	**31 December 2015**
Variable rate instruments		
Cash and cash equivalents with variable interest	3,012	5,027
Total variable interest bearing financial assets	3,012	5,027

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 did not enter into any commodity derivative contracts during the year.

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 current and comparative reporting dates would have decreased the Group's other comprehensive loss of $5,100; an equal change in the opposite direction would have increased the Group's other comprehensive loss for the period by $5,100.

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 Energy may in the future return capital to shareholders, issue new shares, borrow funds from financiers or sell assets. Buru Energy's focus has been to maintain sufficient funds to fund exploration and evaluation activities.

During 2016, Buru and Alcoa reached an agreement under which Buru repaid to Alcoa $12.5 million in December 2016. This resulted in the final remaining instalment of $12.5 million being due for payment on 30 June 2018, without the need for the Company to have to satisfy any financial conditions prior to that date, giving certainty on the repayment terms (see note 23).

7. Revenue

in thousands of AUD	31 December 2016	31 December 2015
Sales of crude oil	219	3,484
	219	3,484

8. Other Income

in thousands of AUD	31 December 2016	31 December 2015
Equipment rental	17	103
Other revenue	63	354
	80	457

9. Administrative Expenditure

in thousands of AUD	31 December 2016	31 December 2015
Personnel and associated expenses	3,062	3,874
Office and other administration expenses	2,780	2,862
	5,842	6,736

The above expense exclude share based payments disclosed at note 25.

10. Finance Income and Expenses

in thousands of AUD	31 December 2016	31 December 2015
Interest income on bank deposits	793	1,494
Net foreign exchange gain / (loss)	(32)	123
Interest income / (expense) on recognition of borrowings at fair value (note 23)	(1,982)	3,493
Net finance income / (expense) recognised in profit or loss	(1,221)	5,110

11. Income Tax Expense

in thousands of AUD	31 December 2016	31 December 2015
Current income tax		
Current income tax charge	–	–
Adjustments in respect of previous current income tax	–	–
	–	–
Deferred income tax		
Deferred tax recognised on movement in financial asset revaluation reserve	(51)	149
Benefit relating to origination and reversal of temporary differences	–	–
	(51)	149
Total income tax (expense) / benefit reported in equity	(51)	149
Numerical reconciliation between tax expense and pre–tax accounting profit		
Accounting loss before tax	(33,982)	(40,424)
Income tax benefit using the domestic corporation tax rate of 30%	10,195	12,127
Increase in income tax due to:		
– Non–deductible expenses	(8)	(305)
– Temporary differences and tax losses not brought to account as a DTA	(10,187)	(11,822)
Income tax benefit / (expense) on pre–tax loss	–	–

Tax recognised directly in equity

	12 months ended 31 December 2016			12 months ended 31 December 2015		
in thousands of AUD	Before Tax	Tax (Expense) Benefit	Net of tax	Before Tax	Tax (Expense) Benefit	Net of tax
Financial Assets	171	(51)	120	(496)	149	(347)

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 effect 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 Energy. In this regard, Buru Energy 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	Pastoral Lease (Discontinued Operation)	Office equipment	Fixtures and fittings	Heritage and cultural assets	Intangible Assets	Total
Cost							
Carrying amount at 1 January 2015	5,499	–	1,624	1,800	877	897	10,697
Additions	68	4,375	10	–	–	–	4,453
Disposals	–	–	(6)	(1)	–	–	(7)
Balance at 31 December 2015	5,567	4,375	1,628	1,799	877	897	15,143
Carrying amount at 1 January 2016	5,567	4,375	1,628	1,799	877	897	15,143
Additions	106	–	–	–	–	–	106
Disposals	(71)	(4,375)	(8)	–	–	–	(4,454)
Balance at 31 December 2016	5,602	–	1,620	1,799	877	897	10,795
Depreciation							
Carrying amount at 1 January 2015	(1,186)	–	(985)	(618)	–	(323)	(3,111)
Depreciation for the period	(494)	–	(351)	(308)	–	(181)	(1,335)
Disposal	–	–	5	–	–	–	5
Balance at 31 December 2015	(1,680)	–	(1,331)	(926)	–	(504)	(4,441)
Carrying amount at 1 January 2016	(1,680)	–	(1,331)	(926)	–	(504)	(4,441)
Depreciation for the period	(454)	–	(229)	(308)	–	(182)	(1,173)
Disposal	65	–	8	–	–	–	73
Balance at 31 December 2016	(2,069)	–	(1,552)	(1,234)	–	(686)	(5,541)
Carrying amounts							
At 31 December 2014	4,313	–	639	1,182	877	574	7,585
At 31 December 2015	3,887	4,375	297	873	877	393	10,702
At 31 December 2016	3,533	–	68	565	877	211	5,254

13. Exploration and Evaluation Expenditure Capitalised

in thousands of AUD	**31 December 2016**	**31 December 2015**
Carrying amount at beginning of the period	48,240	64,930
Exploration expenditure capitalised	863	23,977
Transferred to development expenditure	–	(9,290)
Exploration expenditure written off during the period	(21,327)	(29,158)
Research and development tax concession	(5,814)	(2,219)
Carrying amount at the end of the period	21,962	48,240

Exploration and evaluation expenditure in respect of each area of interest is accounted for using the successful efforts method of accounting. The successful efforts method requires all exploration and evaluation expenditure to be expensed in the period it is incurred, except the costs of successful wells and the costs of acquiring interests in new exploration assets, which are capitalised as intangible exploration and evaluation. The costs of wells are initially capitalised pending the results of the well.

Based on a review of exploration and evaluation expenditure capitalised to each area of interest, $21,327,000 of exploration and evaluation expenditure has been written off in the current reporting period in relation to the Ungani North 1 and Ungani 3 wells where there is currently no further substantive expenditure budgeted or planned.

14. Oil and Gas Assets

in thousands of AUD **Assets in Development**	**31 December 2016**	**31 December 2015**
Carrying amount at beginning of the period	24,129	14,666
Expenditure incurred	209	2,371
Transferred from exploration expenditure	–	9,290
Amortisation expensed	(2,788)	(2,198)
Carrying amount at the end of the period	21,550	24,129

15. Investments

in thousands of AUD **Non–Current**	**31 December 2016**	**31 December 2015**
Available–for–sale financial assets (NSE shares) (i)	51	105
	51	105

(i) Investments

The Group's available–for–sale financial assets are categorised as Level 1 within the fair value hierarchy (refer note 4) and are measured at fair value based on quoted market prices at the reporting date, without any deduction for transaction costs. There were no transfers between levels during the period.

The decline in the fair value of NSE shares had been previously recognised directly in equity, however as there is objective evidence that the assets are considered to be impaired, the cumulative loss of $224,000 that had been previously recognised in equity has been removed from equity and permanently transferred to profit or loss during this period.

16. Tax Assets and Liabilities

Unrecognised net deferred tax assets

Net deferred tax assets have not been recognised in respect of the following items.

in thousands of AUD	31 December 2016	31 December 2015	Net Movement
Deferred tax assets			
Business related costs	377	586	(209)
Capital loss on bad debts	526	526	–
Accruals	35	62	(27)
Provisions	1,595	1,643	(48)
Development expenditure	2,227	1,453	774
Traditional owner access payments	–	997	(997)
Livestock	1,024	885	139
Tax losses	45,903	45,406	497
PRRT	95,310	82,038	13,272
Other	3	77	(74)
	147,000	133,673	13,324
Deferred tax liabilities			
Exploration expenditure	(6,588)	(14,472)	7,884
Property, plant and equipment	(1,139)	(1,192)	53
Investments in listed entities	(36)	(51)	15
Other	–	(49)	49
	(7,763)	(15,764)	8,001
Net deferred tax assets not brought to account	139,237	117,909	21,328

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	31 December 2016	31 December 2015
Trade receivables	–	599
Interest receivable	72	68
Joint venture receivables	525	(330)
Prepayments	110	104
GST receivable	38	1,419
Other receivables	167	143
	912	2,003

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	31 December 2016	31 December 2015
Materials and consumables – at net realisable value	2,372	2,583
Petroleum products – at cost	–	383
	2,372	2,966

During the year, the Group tested its materials and consumables inventories for impairment and wrote down inventories to their net realisable value, which resulted in a loss of $464,000 (2015: $2,950,000).

19. (a) Cash and Cash Equivalents

in thousands of AUD	31 December 2016	31 December 2015
Bank balances	3,012	5,027
Term deposits maturing within 3 months	18,040	28,870
Cash and cash equivalents in the statement of cash flows	21,052	33,897

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

(b) Reconciliation of Cash Flows from Operating Activities

in thousands of AUD	Note	31 December 2016	31 December 2015
Cash flows from operating activities			
Loss for the period		(33,982)	(40,424)
Adjustments for:			
Depreciation	12	1,173	1,335
Impairment losses on exploration expenditure	13	21,327	29,158
Amortisation on development expenditure	14	2,788	2,198
Impairment on inventories	18	464	2,950
Impairment of available–for–sale–financial assets	15	224	–
Gain on sale of discontinued operation	33	(2,654)	
Share based payment expenses	25	–	981
Net finance (income) / expense	10	1,221	(5,110)
Operating loss before changes in working capital and provisions		(9,439)	(8,912)
Changes in working capital, net of acquisitions			
Change in trade and other receivables		759	787
Change in trade and other payables		(2,032)	1,459
Change in inventories		131	138
Change in provisions		(203)	(2,510)
Cash received from / (used in) operating activities		(1,345)	(126)
Net cash outflow from operating activities		(10,784)	(9,038)

20. Capital and Reserves

Share capital

	Ordinary Shares 31 December 2016 No.	Ordinary Shares 31 December 2015 No.
On issue at the beginning of the period	339,997,078	339,997,078
On issue at the end of the period – fully paid	339,997,078	339,997,078

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.

The share–based payments reserve represents the fair value of equity–based compensation to the Group's Directors and employees.

The financial asset revaluation reserve represents the revaluation of the Group's available for sale financial assets. The Group's only currently held 'available for sale' financial assets are equity securities in New Standard Energy Ltd (NSE).

21. Loss Per Share

Basic loss per share

in thousands of AUD	31 December 2016	31 December 2015
Loss attributable to ordinary shareholders from continuing operations	36,321	39,905
(Profit) loss from discontinued operation	(2,339)	519
Net loss	33,982	40,424

Weighted average number of ordinary shares

	31 December 2016 No.	31 December 2015 No.
Issued ordinary shares at beginning of the period	339,997,078	339,997,078
Weighted average number of ordinary shares at the end of the period	339,997,078	339,997,078

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	31 December 2016	31 December 2015
Trade payables	95	1,011
Non–trade payables and accrued expenses	535	6,644
	630	7,655

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

23. Loans and Borrowings

in thousands of AUD **Non–current**	**31 December 2016**	**31 December 2015**
Initial recognition of Alcoa GSA as borrowings	–	40,000
Net interest income on recognition of Alcoa GSA borrowings at fair value	–	(3,493)
Repayment to Alcoa on 4 August 2015	–	(15,000)
Borrowings at beginning of the year	21,507	–
Repayment to Alcoa on 22 December 2016	(12,500)	–
Interest expense of unwinding of the fair value difference	1,982	–
Loan at the end of the period	10,989	21,507

The Group's exposure to currency and liquidity risk related to loans and borrowings is disclosed in note 6.

During 2016, Buru and Alcoa reached an agreement under which Buru repaid to Alcoa $12.5 million in December 2016. This resulted with the final remaining instalment of $12.5 million being now due for payment on 30 June 2018, without the need for the Company to have to satisfy any financial conditions prior to that date, giving certainty on the repayment terms.

The fair value of the borrowing is estimated as the present value of all future cash payments discounted using the market rate of interest for a similar instrument with a similar credit rating. The difference between fair value and cash consideration to be repaid under the borrowings is recognised in the income statement as interest income. The borrowings are interest free and unsecured.

The borrowings are measured at the end of the period at amortised cost using the effective interest method. The amortised cost during the life of the loan is the sum of the initial fair value of the loan and the unwinding of the fair value difference.

The remaining amount to be repaid at the end of the reporting period is $12,500,000. The borrowings were initially fair valued using an interest rate of 8.25%. The fair value of borrowings at period end approximates its carrying value of $10,989,000.

24. Provisions

in thousands of AUD	31 December 2016	31 December 2015
Current		
Provision for annual leave	397	528
Provision for site restoration (i)	859	859
	1,256	1,387
Non–Current		
Provision for long–service leave	156	185
Provision for site restoration (i)	3,906	3,906
	4,062	4,091

(i) Site restoration provision

in thousands of AUD	31 December 2016	31 December 2015
Opening balance	4,765	7,179
Provision used during the period	–	(408)
Revaluation of provision during the period	–	(2,006)
Balance at the end of the period	4,765	4,765

(i) The site restoration provision is in respect of the Group's obligation to rectify environmental liabilities relating to exploration and production in the Canning Basin in accordance with the requirements of the DER and the DMP. The provision is derived from an internal review of the liabilities. 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 continue to occur progressively.

25. Share–based Payments

Fair value expensed in thousands of AUD	31 December 2016	31 December 2015
Share Appreciation Rights expense	–	119
Employee Share Option Plan expense	–	862
	–	981

The fair value of Share Appreciation Rights and options granted under the Employee Share Option Plan 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.

Share Appreciation Rights (SARs)

No share appreciation rights were issued or exercised during the current reporting period.

The movement during the reporting period in the number of share appreciation rights was as follows:

	Number of SARS
SARs on issue as at 1 January 2016	2,221,213
Forfeited during the period ended 31 December 2016	(1,201,147)
Outstanding as at 31 December 2016	1,020,066

The service period vesting date for all SARs outstanding as at 31 December 2016 was met on 31 October 2016. The vesting is also subject to various performance hurdles relating to Relative Total Shareholder Return.

Employee Share Option Plan (ESOP)

No share options were issued or exercised during the current reporting period. 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 January 2016	0.96	10,300,000
Forfeited during the period ended 31 December 2016	1.12	(5,250,000)
Forfeited during the period ended 31 December 2016	0.80	(1,900,000)
Outstanding as at 31 December 2016	0.80	3,150,000

The unlisted share options outstanding as at 31 December 2016 have a weighted average exercise price of $0.80 (Dec 2015: $0.96), and a weighted average contractual life of 1.0 years (Dec 2015: 1.5 years). All options outstanding fully vested in previous reporting periods.

26. Group Entities

Parent entity	Country of incorporation	Ownership interest	Ownership interest
Buru Energy Limited (i)	Australia		
Subsidiaries		**31 December 2016**	**31 December 2015**
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%	100%

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

27. Parent Entity Disclosures

As at, and throughout the year ended 31 December 2016 the parent company of the Group was Buru Energy Limited.

in thousands of AUD	**Company 12 months ended 31 December 2016**	**Company 12 months ended 31 December 2015**
Result of the parent entity		
Loss for the period	(35,994)	(39,908)
Other comprehensive income / (expense)	171	(496)
Total comprehensive loss for the period	(35,823)	(40,404)
Financial position of the parent entity at year end		
Current assets	24,336	38,866
Total assets	73,153	117,667
Current liabilities	1,886	9,042
Total liabilities	25,998	34,640
Total equity of the parent entity at year end		
Share capital	258,211	258,211
Reserves	1,213	2,626
Accumulated losses	(212,269)	(177,810)
Total equity	47,155	83,027

28. Joint Operations

The consolidated entity has an interest in the following joint operations as at 31 December 2016 whose principal activities were oil and gas exploration, development and production.

Permit/Joint Operation	December 2016 Beneficial Interest	December 2015 Beneficial Interest	Operator	Country
L20	50.00%	50.00%	Buru Energy Ltd	Australia
L21	50.00%	50.00%	Buru Energy Ltd	Australia
EP 371	50.00%	50.00%	Buru Energy Ltd	Australia
EP 390	0.00%	50.00%	Buru Energy Ltd	Australia
EP 391	50.00%	50.00%	Buru Energy Ltd	Australia
EP 428	50.00%	50.00%	Buru Energy Ltd	Australia
EP 431	50.00%	50.00%	Buru Energy Ltd	Australia
EP 436	50.00%	50.00%	Buru Energy Ltd	Australia
EP 438	0.00%	50.00%	Buru Energy Ltd	Australia
EP 457	37.50%	37.50%	Buru Fitzroy Pty Ltd	Australia
EP 458	37.50%	37.50%	Buru Fitzroy Pty Ltd	Australia
EP 471	0.00%	50.00%	Buru Energy Ltd	Australia
EP 472	0.00%	50.00%	Buru Energy (Acacia) Pty Ltd	Australia
EP 473	0.00%	50.00%	Buru Energy Ltd	Australia
EP 476	0.00%	50.00%	Buru Energy Ltd	Australia
EP 477	0.00%	50.00%	Buru Energy (Acacia) Pty Ltd	Australia
EP 478	0.00%	100.00%	Buru Energy (Acacia) Pty Ltd	Australia

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

in thousands of AUD	31 December 2016	31 December 2015
Income	1	2
Expenditure	(6,088)	(9,300)
	(6,087)	**(9,298)**
Current assets		
Trade and other receivables	22	772
Inventories	505	531
Total current assets	**527**	**1,303**
Non–current assets		
Exploration expenditure	21,962	48,240
Oil and gas assets	21,550	24,129
Total non–current assets	**43,512**	**72,369**
Current Liabilities		
Trade and other payables	182	4,883
Total current Liabilities	**182**	**4,883**
Share of net assets of joint venture operations	**43,857**	**68,789**

29. Operating Leases

Leases as lessee

Non–cancellable operating lease rentals are payable as follows:

in thousands of AUD	31 December 2016	31 December 2015
Less than one year	1,136	1,198
Between one and five years	–	956
	1,136	2,154

The Group leases a corporate office in Perth and an office/warehouse facility in Broome. The leases expire in October 2017 and November 2017 respectively. Both 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 during the period was $1,254,000 (31 Dec 2015: $1,398,000).

30. Capital and Other Commitments

in thousands of AUD	31 December 2016	31 December 2015
Exploration expenditure commitments		
Contracted but not yet provided for and payable:		
Within one year	8,200	13,994
One year later and no later than five years	3,450	25,575
	11,650	39,569

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.

31. Contingencies

There were no material contingent liabilities or contingent assets for the Group as at 31 December 2016 (31 Dec 2015: nil).

32. Related Parties

Key management personnel compensation
The key management personnel compensation comprised:

in AUD	31 December 2016	31 December 2015
Short–term employee benefits	1,630,679	1,971,064
Post–employment benefits	158,199	190,735
Termination benefits	165,000	183,333
Share–based payments	64,999	218,922
	2,018,877	2,564,054

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 18 to 22.

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 the end of the period.

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

33. Disposal of Yakka Munga Pastoral Lease – Discontinued Operation

During the period, the Group completed the sale of the Yakka Munga Pastoral Lease to Shanghai Zenith (Australia) Investment Holding Pty Ltd ("SZI") for $9.878 million before costs. Settlement was completed on 1 August 2016.

The effect on the balance sheet is shown below. (Pastoral Lease shown at note 12).

in thousands of AUD	**31 December 2016**	**31 December 2015**
Agricultural Assets (discontinued operation)		
Carrying amount at beginning of the period	2,625	–
Agricultural assets purchased during the period	–	2,625
Sales during the period	–	(1,105)
Movement in fair value	1,605	1,105
Agricultural assets sold during the period	(4,230)	–
Carrying amount at the end of the period	–	2,625

The total consideration received for the disposal of the Yakka Munga Pastoral Lease had the following effect on the Group's assets and liabilities on disposal date:

in thousands of AUD	**Recognised values on disposal**
Fair value of agricultural assets (Cattle livestock)	4,230
Property, Plant and Equipment (Pastoral lease)	4,375
Net identifiable assets and liabilities	8,605
Total consideration before costs	9,878
Settlement costs of sale	(224)
Total consideration net of costs	9,654
Gain on disposal of discontinued operations	
Gain on fair value of agricultural assets	1,049
	1,605
Profit from disposal of Yakka Munga Pastoral Lease	2,654

The result of the net operating activities from discontinued operations at the Yakka Munga Pastoral Lease prior to the sale was:

in thousands of AUD	**31 December 2016**	**31 December 2015**
Pastoral lease income	189	1,106
Pastoral lease expenditure	(504)	(1,625)
Net result for the period	(315)	(519)
Total profit from discontinued operation	2,339	(519)

34. Subsequent Events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature which in the opinion of the Directors of the Group, has significantly affected or is likely to affect the results or operations of the Group in future financial years.

35. Auditors' Remuneration

Audit services	**31 December 2016**	**31 December 2015**
KPMG Australia: Audit and review of financial reports	60,000	69,600
KPMG Australia: Audit of Joint Venture reports	15,250	28,000
KPMG Australia: Audit of Traditional Owner Royalty Statements	5,000	10,000

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

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

(a) the consolidated financial statements and notes that are contained on pages 24 to 58 and the Remuneration report in the Directors' report, set out on pages 18 to 22 are in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance, for the financial period 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 Executive Chairman and Head of Finance, for the year ended 31 December 2016.

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:

Mr Eric Streitberg
Executive Chairman
Perth
31 March 2017

Mr Robert Willes
Non–executive Director
Perth
31 March 2017

Independent Auditor's Report

To the members of Buru Energy Limited

Report on the audit of the Financial Report

Opinion

In our opinion, the accompanying ***Financial Report*** of Buru Energy Limited is in accordance with the *Corporations Act 2001*, including

- giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

We have audited the ***Financial Report*** of the Group.

The ***Group*** consists of Buru Energy Limited (the Company) and the entities it controlled at the year end and from time to time during the financial year.

The ***Financial Report*** comprises the:

- Consolidated statement of financial position as at 31 December 2016
- Consolidated statement of profit or loss, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the relevant ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code). We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Valuation of the Ungani Oilfield and Oil and Gas Properties
- Valuation of capitalised exploration and evaluation ("E&E") expenditure.

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of the Ungani Oilfield and Oil and Gas Properties (AUD $21,550 thousand)	
Refer to Note 14 to the financial report	
The key audit matter	**How the matter was addressed in our audit**
The valuation of the Ungani Oilfield oil and gas properties is a key audit matter due to: • The size of the assets on the balance sheet. • The current status of operation of the property, being shut-in and the field pending restart, raising the risk of impairment. • The significant level of judgment and effort applied by us to challenge management's key valuation assumptions within their model for the Ungani Oilfield cash generating unit (CGU). These include: - forecast sales price for oil due to the impact of the significant and prolonged decrease in short term and long term oil price forecasts. - forecast total quantity of oil in the Ungani Oilfield model, the estimated rate of annual production, total oil resource available (which management use an external expert to determine), and forecast total capital and operating costs. - inflation and discount rates specific to the Ungani Oilfield CGU.	Our audit procedures included: • Assessing management's key valuation assumptions by: - Evaluating the reasonableness of the inflation rate and forecast sales prices, against published external analysts' sources and our industry experience. - Testing forecast total quantity of oil in the model by: - Assessing the estimated rate of annual production, using numbers from the contingent resource information (2C) report and comparing against actual achieved rates of production. - Evaluating the competence and capability of the external expert used by management to determine the total oil resource available and comparing the assumptions used against forecast and actual production and capital costs. - Comparing forecast total capital and operating cost per barrel of oil in the model to previous actual costs and to management's latest operational budgets. • Utilising our industry knowledge we assessed the reasonableness of management's discount rate by comparing to discount rates used by a peer group in the same industry. • Assessing the model against industry standards and the requirements of the accounting standards. We tested the construct of the model for mathematical integrity and consistency against input sources.

Valuation of capitalised exploration and evaluation ("E&E") expenditure (AUD $21,962 thousand)

Refer to Note 13 to the financial report

The key audit matter	How the matter was addressed in our audit
The valuation of capitalised E&E expenditure is a key audit matter for us as: • During the year the Group wrote off $21,327 thousand of E&E assets in relation to the Ungani North 1 and Ungani 3 exploration wells (not included in the Ungani Oilfield CGU). • Capitalised E&E is a significant asset recorded in relation to the Group's total assets (30%). • We were required to apply significant judgment in assessing management's determination of the presence of impairment indicators. We involved senior team members to challenge management's determination of the presence of impairment indicators, given the criticality of this to the scope and depth of our audit approach. In the case impairment indicators exist, the accounting standards require a further detailed analysis by management of the value of E&E. The key indicators we focused on were those related to the commercial continuation, or not, of the exploration and evaluation activities (activities) for certain licenses/permits (areas) where significant capitalised E&E exists. This involved assessing: • The ability of the Group to fund the continuation of activities in the specific areas. • Group strategy and intentions for continuation in the specific areas, including assessing the impact of the decline in oil prices to the commercial decision to continue to exploit the resource. • Right to tenure, which is a combination of a valid license to the area, fulfilling commitments related to that license and complying with Native Title Agreements with regards to obtaining heritage clearances for on ground exploration activities in the area.	Our audit procedures included: • Obtaining project and corporate budgets and comparing areas identified as funded or planned to be funded against areas with capitalised exploration and evaluation expenditure, for evidence of the ability to fund continued activities. • Evaluating Group's stated intentions for continuing activities in certain areas as contained in the following documents: - internal management plans - minutes of board and internal management meetings - reports lodged with the relevant government authorities - announcements made by the Group to the ASX. We also corroborated this through interviews with key operational and finance personnel. • Assessing the impact of the decline in oil price to management analysis underlying their decision for commercial continuation of activities. We compared this for consistency to our understanding of the Group from our remaining procedures in the audit. • Accessing company records from the registers maintained by the Department of Mines and Petroleum to check the validity of licenses and the impact on rights to tenure. We read correspondence from the Department of Mines and Petroleum to assess the Group's prior compliance with all 2016 commitments. • Reading board minutes and media reports to identify instances of non-compliance with Native Title Agreements, with regards to obtaining heritage clearances for on ground exploration activities. • Through inquiry with management, reading Board papers and assessing the requirements to meet drilling commitments, we used this knowledge to assess the Group's decision to continue to carry capitalised E&E on these areas.

KPMG

• Management's modelling of potential commercial value if the licenses/permit were developed or sold, as evidence underlying management's intention to continue activities or as indication of impairment to capitalised E&E value. Given impairment charges were booked against Ungani North 1 and Ungani 3 wells, we also focused on the conditions leading to this and their consistent application across the remaining areas of interest with capitalised E&E.	• Using available external industry information such as media reports, to identify any impact of negative market sentiment on the Group's commercial intentions. In particular we were looking for indications of carrying amounts not recoverable given our industry knowledge on certain licenses/permits. • We assessed the impairment of the Ungani North1 and Ungani 3 wells by: - Discussing with management and those charged with governance the commercial viability of extracting resources from the Ungani North 1 and Ungani 3 wells, and their intention and future plans in relation to those wells. We corroborated the discussions against expenditure budgets - Comparing the impairment charge to the carrying value of the capitalised E&E of the wells prior to the impairment being recognised.

Other Information

Other Information is financial and non-financial information in Buru Energy Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

KPMG

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Buru Energy Limited for the year ended 31 December 2016, complies with *Section 300A* of the *Corporations Act 2001*.

Director's responsibilities

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 responsibilities

We have audited the Remuneration Report included in the Director's report for the year ended 31 December 2016.

Our responsibility is to express an opinion on the Remuneration Report, based on our Audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

G-Hogg

Graham Hogg
Partner

Perth

31 March 2017

The ASX Listing Rules require listed entities to disclose the extent to which they have followed the Corporate Governance Principles and Recommendations set by the ASX Corporate Governance Council during the reporting period. This corporate governance statement summarises the Company's corporate governance practices that have been in place during the year taking into consideration the corporate governance principles relevant to a company of Buru Energy's nature and size.

This Corporate Governance Statement has been prepared on the basis of disclosure under the 3rd edition of the ASX Corporate Governance Principles and Recommendations, detailing the Company's compliance with these principles during the financial year ended 31 December 2016 on an "if not, why not" basis.

This Corporate Governance statement can be viewed in the corporate governance section of the Company's website: www.buruenergy.com.

ASX Principle 1 – Lay solid foundations for management and oversight

Role of the Board

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.

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

- no person within Buru Energy, 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 Energy; and
- 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 Energy who makes a business judgment will have met the requirements as a Director of Buru Energy 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 Energy.

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

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 in this Corporate Governance Statement.

Delegation to management

The Board delegates a portion of its authority through management limitations, policies and holding the Executive 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. Senior executives are responsible for supporting the Executive Chairman 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 to the Executive Chairman.

Election of directors
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 Executive Chairman, 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 Board 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 Board candidates with advice from external consultants when necessary. 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.

All relevant information is to be provided in the Notice of Meeting seeking the election or re–election of a director including:

- biographical details including qualifications and experience;
- other directorships and material interests;
- term of office;
- statement by the board on independence of the director;
- statement by the board as to whether it supports the election or re–election; and
- any other material information.

Terms of appointment
To facilitate a clear understanding of roles and responsibilities, all non–executive directors have a signed letter of appointment. This letter of appointment letter includes acknowledgement of:

- director responsibilities under the Corporations Act, Listing Rules, the Company's Constitution and other applicable laws;
- corporate governance processes and Company policies;
- board and board committee meeting obligations;
- conflicts and confidentiality procedures;
- securities trading and required disclosures;
- access to independent advice and employees;
- confidentiality obligations;
- directors fees;
- expenses reimbursement;
- directors and officers insurance arrangements;
- other directorships and time commitments; and
- board performance review and succession.

The Executive Chairman and senior executives have signed executive services agreements. For further information refer to the Remuneration Report.

Role of Company Secretary
The Company Secretary is accountable to the Board for:

- advising the Board and committees on corporate governance matters;
- the completion and distribution of board and committee papers;
- completion of board and committee minutes; and
- the facilitation of director induction processes and ongoing professional development of directors.

All directors have access to the Company Secretary who has a direct reporting line to the Chairman.

Diversity

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.

Due to workforce numbers, Buru Energy is not a 'relevant employer' under the Workplace Agenda Equality Act. The Group's gender diversity as at the end of the reporting period was as follows:

Period	31 December 2016				31 December 2015			
Gender	Males		Females		Males		Females	
Level	Number	%	Number	%	Number	%	Number	%
Directors	2	67	1	33	2	67	1	33
Senior Executives	2	100	–	–	4	100	–	–
All Other Employees	17	77	5	23	31	78	9	22
TOTAL	**21**	**78**	**6**	**22**	**37**	**78**	**10**	**22**

During the year ended 31 December 2016, the Company's diversity objectives were as follows:

- Continue to grow and develop the Company's Aboriginal workforce
- Continue to increase partnering with local Kimberley Aboriginal businesses to provide services

Due to the low level of operations in 2016, opportunities for Aboriginal people and Kimberley businesses in general were limited. However, despite a reduction in staff numbers, the Company had full retention of our Aboriginal employees, and where contracting opportunities were available, Buru put a preference on contracting local Kimberley Aboriginal businesses to provide services. In 2016, services were provided to the Company by Aboriginal businesses in the areas of civil works, rehabilitation operations, rehabilitation monitoring, site security and inspections and environmental monitoring.

The Board has therefore set the same diversity objectives for 2017.

Performance review

Approximately every three years, or more frequently if appropriate, the Remuneration and Nomination Committee will 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 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 short and long term incentive performance packages, superannuation entitlements and retirement and termination entitlements.

During the 2016 year there were no formal performance reviews undertaken and as a result of the current difficult global oil price and share market conditions, no Director (including the Executive Chairman) received an increase in remuneration. Executive Management received a modest increase in line with CPI.

Board Meetings

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, the quorum for a meeting is two Directors.

The agenda for each Board meeting is developed by the Company Secretary in consultation with the Executive 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 Energy's Constitution (Article 11.22). Circular resolutions are normally preceded by telephone or email correspondence if practical, and are approved by the Executive Chairman 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. The Board meets informally as required to discuss matters and to ensure members are fully informed of the Company's operations. Directors are also provided with a weekly report setting out material matters that have occurred.

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. No Director sought such advice during the year.

ASX Principle 2 – Structure the board to add value

Composition of the Board & Director Independence

The names of the Directors of the Company in office at the date of this statement, and information regarding Director's independence, experience and length of service, is set out in the Directors' Report.

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 (however this is not currently complied with as set out below); and
- all Directors are subject to re–election every three years, except for the Managing Director (currently the functional role of the Executive Chairman).

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 Energy's business, including the Board. A detailed skills matrix of the Board for a company of Buru Energy's size and natures is not considered necessary. 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.

Mr Eric Streitberg is a major shareholder of the Company and undertakes full time executive duties with the Company. Consequently his role as the Executive Chairman of the Company does not comply with ASX Recommendation 2.5 which states that the Chairman of the Board should be an Independent Director. This has been the arrangement following the restructure of the Buru Energy Board in 2014. This does not comply with ASX best practice guidelines, but the Board is of the view that the current composition of the Board is appropriate for the current situation of the Company.

Nomination Committee

The Company has a combined Nomination Committee and Remuneration Committee. The composition of the Remuneration and Nomination Committee is a minimum of three members, the majority of whom are independent Non–executive Directors. The members of the Remuneration and Nomination Committee during the period were:

- Ms Eve Howell – Chairperson, Independent Non–executive
- Mr Robert Willes – Independent Non–executive
- Mr Eric Streitberg

The Company Secretary is the Secretary of the Remuneration and Nomination Committee. The Executive Chairman and Company Secretary do not attend meetings involving matters pertaining to themselves. The Remuneration and Nomination Committee will meet at least three times a year and as often as required as determined by the Chairperson of the Committee. The number of meetings that the Committee held, and the number of meetings attended by each Committee member during the year is disclosed in the Directors' Report. 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 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.

Director Education

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 and both Mr Willes and Ms Howell did so during the year. Directors are also given access to continuing education opportunities to update and enhance their skills and knowledge.

ASX Principle 3 – Act ethically and responsibly

Code of conduct

Buru Energy has established a Code of Conduct and this can be viewed in the corporate governance section of the Company's website. The Code of Conduct applies to all Directors, senior executives, employees and contractors working on Buru Energy sites. 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.

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 Energy 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 Executive Chairman) 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 Energy'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;
- 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; and
- 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.

ASX Principle 4 – Safeguard integrity in corporate reporting

Audit Committee

The Company has a combined Audit Committee and Risk Committee. 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 Energy'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 Energy'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 composition of the Audit and Risk Committee is a minimum of three members and is ordinarily comprised of only Non-executive Directors. The members of the Audit and Risk Committee during the period were:

- Mr Robert Willes (Chairperson) – Independent Non–executive
- Ms Eve Howell – Independent Non–executive
- Mr Eric Streitberg – (Not independent but required to meet the minimum number of three members)

The external auditors, the Executive Chairman (when not a member of the Committee) and the Head of Finance, are invited to Audit and Risk Committee meetings at the discretion of the Committee.

The Audit and Risk Committee meet at least three times a year and as often as required as determined by the Chairman of the Committee. The number of meetings that the Committee held, and the number of meetings attended by each Committee member during the year is disclosed in the Directors' Report. 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.

Financial Statements

The Executive Chairman and the Head of Finance have declared in writing to the Board that in respect of both the 31 December 2016 financial report and 30 June 2016 half–year financial report of the Company and its controlled entities that:

- the Company's financial records have been properly maintained;
- the financial statements comply with accounting standards;
- the financial statements give a true and fair view;
- these statements are based on a sound system of risk management; and
- the Company's risk management and internal controls are operating efficiently and effectively.

These representations are made prior to the board approval of the release of the financial reports and is made after enquiry of, and representation by, appropriate levels of management.

External Auditor

The external auditor attends the annual general meeting 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.

Internal Audit

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

ASX Principle 5 – Make timely and balanced disclosure

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 Executive Chairman and Company Secretary are responsible for interpreting the Group's policy and where necessary informing and seeking approval from the Board. The Executive Chairman and Company Secretary are primarily responsible for all external communications including releases made on 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 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
- 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 emailed to all shareholders who lodge their email contact details with the Company. Information on lodging email addresses with the Company is available on the Company's website.

ASX Principle 6 – Respect the rights of security holders

Company website and corporate governance

The following information is included in the Corporate Information section of the Company's website:

- company overview;
- profiles of directors and senior executives;
- corporate directory; and
- corporate governance documents including key policies, board and committee charters and the Company
- constitution.

Investor Relations

The Board aims to ensure that shareholders and investors have appropriate access to Company information. The Company has a strategy to promote effective two way communication with shareholders through a policy of open disclosure to shareholders, regulatory authorities and the broader community of all material information with respect to the Company's affairs including, but not limited to:

- process for performance evaluation of the board, its committees, the Executive Chairman and senior executives;
- the link between remuneration paid to directors and key executives and corporate performance, as more fully disclosed in the annual Remuneration Report;
- shorter, more comprehensible notices of meetings.

The Company will ensure that:

- all documents that are released to the ASX are made available as soon as possible on the Company's website; and
- all other information on the Company's website is updated on a regular basis.

The Company will also make timely announcements concerning:

- changes to directors;
- changes to the Executive Chairman's contract or remuneration package;
- grant, expiry or vesting of employee share options or share appreciation rights;
- share purchases or divestment by Directors;
- conflicts of interest & related party transactions; and
- significant changes to accounting policies.

In addition to communicating with shareholders, the Company also communicates with investors who may or may not be shareholders. These communication activities must not involve the disclosure of confidential or potentially market sensitive information. When briefings with investors and analysts are held any price sensitive information included in such presentations is first made available to the market.

Participation at Meetings

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.

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.

Shareholder communications

Shareholders have the option of electing to receive all Company and share registry communications electronically, and also to send communications via email or to the Company website. All shareholders have the ability to request an electronic copy of ASX releases.

ASX Principle 7 – Recognise and manage risk

Risk Committee

The Company has a combined Audit Committee and Risk Committee. Information on that Committee in included above under ASX Principle 4.

Risk management

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 Executive Chairman and the Head of Finance 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 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 an annual basis, and a review was undertaken with senior management during the year. 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 Energy'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 Energy. 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 and continuous improvement. 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 approvals was substantially achieved across all operations with no instances of material, non–compliance in relation to approval 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.

Internal Audit

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

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 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 Note 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.

ASX Principle 8 – Remunerate fairly and responsibly

Remuneration Committee

The Company has a combined Nomination Committee and Remuneration Committee. Information on that Committee in included above under ASX Principle 2.

The Company is committed to adopting remuneration practices that:

- align the interests of employees and shareholders;
- attract and retain suitably qualified employees; and
- motivate employees to achieve superior performance.

The Remuneration and Nomination Committee is responsible for making recommendations to the Board on remuneration policies and employment practices applicable to directors, senior executives and employees of the Company.

For details of the Company's policies and practices regarding the remuneration of directors and senior executives and remuneration paid to directors and senior executives please refer to the Remuneration Report.

For details of the Company's Employee Share Option Plan and Share Appreciation Rights please refer to the Remuneration Report. Note that employees are prohibited from entering into hedge contracts which limit the economic risk of participation in this plan.

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.

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

The distribution of ordinary shares ranked according to size as at 28 February 2017 was as follows:

Category	Ordinary Shares	%	No of Holders	%
100,001 and Over	246,296,021	72.44	381	4.82
10,001 to 100,000	74,862,909	22.02	2,318	29.31
5,001 to 10,000	10,372,038	3.05	1,323	16.73
1,001 to 5,000	7,855,516	2.31	2,656	33.59
1 to 1,000	610,594	0.18	1,230	15.55
Total	**339,997,078**	**100.00**	**7,908**	**100.00**
Unmarketable Parcels	2,957,472	0.87	2,467	31.20

The 20 largest ordinary shareholders of the ordinary shares as at 28 February 2017 were as follows:

Rank	Name	Number of ordinary shares	%
1	BIRKDALE ENTERPRISES PTY LTD	29,213,557	8.59
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,771,173	4.05
3	COOGEE RESOURCES PTY LTD	13,333,333	3.92
4	CHEMCO PTY LTD	13,333,333	3.92
5	MR ERIC CHARLES STREITBERG	11,103,133	3.27
6	FLEXIPLAN MANAGEMENT PTY LTD	8,342,469	2.45
7	MR STEPHEN HARRY JONES	7,078,084	2.08
8	MAXIGOLD HOLDINGS PTY LTD	4,899,928	1.44
9	WANDJI INVESTMENTS LIMITED	4,722,400	1.39
10	WHITTINGHAM SECURITIES PTY LIMITED	4,000,000	1.18
11	SINO PORTFOLIO INTERNATIONAL LIMITED	3,820,588	1.12
12	MAJOR DEVELOPMENT GROUP PTY LTD	2,989,908	0.88
13	CHARRINGTON PTY LTD	2,700,000	0.79
14	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,432,691	0.72
15	PGP (QLD) PTY LTD	2,080,000	0.61
16	ROCKET SCIENCE PTY LTD	1,917,000	0.56
17	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	1,904,453	0.56
18	CITICORP NOMINEES PTY LIMITED	1,862,464	0.55
19	CHARRINGTON PTY LTD	1,820,000	0.54
20	LIBBIT HOLDINGS PTY LTD	1,750,000	0.51
	Total twenty largest shareholders	**133,074,514**	**39.14**
	Balance of register	**206,922,564**	**60.86**
	Total register	**339,997,078**	**100.00**

The following interests were registered on the Company's register of Substantial Shareholders as at 28 February 2017:

Shareholder	Number of ordinary shares	%
Birkdale Enterprises Pty Ltd	29,213,557	8.59
Eric Streitberg and his associates	28,720,566	8.45
Chemco Pty Ltd	26,666,666	7.84

Voting rights

Ordinary shares

At a general meeting of shareholders:

(a) On a show of hands, each person who is a member or sole proxy has one vote.

(b) On a poll, each shareholder is entitled to one vote for each fully paid share.

Unlisted Options

There are no voting rights attached to the unlisted options:

Other information

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

The Company is listed on the Australian Securities Exchange. ASX Code: BRU

The Company and its controlled entities schedule of interests in permits as at 28 February 2017 were as follows:

PERMIT	TYPE	OWNERSHIP	OPERATOR
L6	Production license	100.00%	Buru Energy Ltd
L8	Production license	100.00%	Buru Energy Ltd
L17	Production license	100.00%	Buru Energy Ltd
L20	Production license	50.00%	Buru Energy Ltd
L21	Production license	50.00%	Buru Energy Ltd
EP129*	Exploration permit	100.00%	Buru Energy Ltd
EP371	Exploration permit	50.00%	Buru Energy Ltd
EP391	Exploration permit	50.00%	Buru Energy Ltd
EP428	Exploration permit	50.00%	Buru Energy Ltd
EP431	Exploration permit	50.00%	Buru Energy Ltd
EP436	Exploration permit	50.00%	Buru Energy Ltd
EP457	Exploration permit	37.50%	Buru Fitzroy Pty Ltd
EP458	Exploration permit	37.50%	Buru Fitzroy Pty Ltd
PL7	Onshore pipeline license	100.00%	Buru Energy Ltd

* Excluding Backreef Area

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