



Buru Energy Limited
ABN 71 130 651 437

Interim Financial Report
For the six months ended 30 June 2016

BURU ENERGY LIMITED
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BURU ENERGY LIMITED
REVIEW OF OPERATIONS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

Production and Development

Ungani Oilfield

Production from the Ungani Oilfield was suspended on 28 January 2016 due to the deteriorating oil price which had gone from USD\$65 per barrel when production recommenced in July 2015 to about USD\$35 per barrel when the field was shut-in.

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. The Joint Venture is currently conducting an extensive review of the alternatives for restarting production from the field. These include evaluation of alternate export points, reduction of operating and transport costs, and alternate marketing arrangements. A detailed review of forward field performance is also in progress incorporating the results from the previous production period to ensure any restart is made in the most capital and cost efficient manner.

The evaluation has identified areas of substantial cost savings and the Company is moving to restart production as soon as practicable in a commercial framework that includes an oil price that delivers strong positive cash flow. The current level of oil prices and the relatively strong Australian dollar still provide continuing challenges to profitability, but the analysis is demonstrating that a profitable resumption of production can potentially be achieved.

Ungani Oilfield Resources

During the period, the Company received the finalised Gaffney Cline and Associates (GCA) assessment of the resources of the Ungani Oilfield. GCA's estimate of the Contingent Resources of the Ungani Oilfield as of 30 April 2016 is shown below. Buru's interest is 50% of these estimates. The field has produced a total of some 615,000 barrels during the various production phases from when production first commenced on 31 May 2012, until the most recent suspension of production in January 2016. The resources are classified as Contingent Resources given the field is currently shut-in. The GCA 3C assessment is significantly greater than the internal assessment by Buru in 2015 which illustrates the potential upside of the field.

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	19.41
Production to 26 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.
- ii. Probabilistic method used and the estimates are the statistical aggregates of resources.
- iii. Qualified petroleum reserves and resources evaluator requirements are detailed in Buru Energy's ASX release of 16 May 2016 and 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.
- 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.

Blina and Sundown Oilfields

The Blina and Sundown Oilfields remained shut-in during the period with maintenance, well inspections and rehabilitation continuing.

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REVIEW OF OPERATIONS
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (CONT'D)

Drilling

Ungani Far West 1

The final well in the 2015 exploration program, Ungani Far West 1, was spudded on 28 November within the Ungani Production License L21, 97 kms east of Broome and approximately 3 kms southwest of Buru Energy's Ungani Oilfield. Buru Energy has a 50% equity interest in the well but 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.

Atlas Rig 2 was utilised to drill to the top of the interpreted Ungani Dolomite reservoir at 2,328 metres. Wireline logs and pressure data from the drilled interval identified a five metre sandstone interval at the top of the Anderson Formation at a depth of some 1,560 metres with indications of oil saturations and good permeability. An oil sample was recovered during the logging program and oil was subsequently recovered at surface from the well bore from this zone. Interpretation of pressure data indicates a potential oil column of at least 14 metres of which some five metres is net pay. This was a very encouraging result with this zone representing a new play type for the Ungani area, and a number of additional prospects have been identified at this level on the existing 3D seismic.

Atlas Rig 2 was rigged down and released in early January and specialist coring rig DDH1 Rig 31 was then rigged up to conduct coring operations through the Ungani Dolomite reservoir section. The top of the Ungani Dolomite was encountered at 2,341 metres and cores recovered from that point displayed well developed vugular porosity with strong mud gas shows and oil bleeding from cores. The well was successfully cored to 2,400 metres with 75 metres of core cut with 93% recovery. Wireline logs were then acquired with the uppermost 15 metres of the reservoir zone interpreted to be oil saturated with significant vugular development.

The well was completed to the total depth of 2,400 metres and a testing program was undertaken over three zones. The upper zone flowed at rates of up to 1,680 barrels of fluid per day with 50% to 70% of high quality 41.6 degree API oil. Interpretation of the test information from the upper zone indicates a minimum oil column of some 15 metres with very high productivity, estimated to be over twice that seen in the Ungani wells. The middle zone was opened to flow with no influx observed and interpretation of the test of the lower zone indicated it is water bearing. A subsequent injection test of the lower zone demonstrated extremely high permeability. The produced fluids were then reinjected into the formations they were produced from and the well was suspended.

Ungani North 1

The Ungani North 1 well was drilled in 2012 and was interpreted to contain a significant oil column in the Ungani Dolomite section, however the reservoir was originally interpreted to be of poorer quality than the Ungani Oilfield. The test during the current period involved a re-perforation of the interpreted oil zone and resulted in an influx of oil with a field measured gravity of 41.5deg API. This was a very encouraging result as oil had not previously been recovered from the well. Analysis of the current data is ongoing prior to a decision on further operations at the well.

Laurel Formation

Tight Gas Pilot Exploration Program

During the period, the Valhalla North 1 and Asgard 1 wells continued their strong production performance constantly unloading stimulation fluid and flowing hydrocarbons. A limited number of production tests of separate zones was undertaken, and these tests together with the early results of fluid and tracer monitoring have allowed the flow characteristics of individual zones to be monitored. Due to the encroaching wet season, it was decided to suspend the testing operations in January.

The evaluation of the data obtained from the 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 (mmcfcpd), and average blowdown gas rates of up to 13.5 mmcfcpd. 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

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REVIEW OF OPERATIONS
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (CONT'D)

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% CO₂). As expected, individual zones in the more liquid rich sections of the wells appear to have higher liquids content. The excellent quality of the gas means it will not require any substantial processing before sale except for removal of the high value liquids content for separate sale.

Independent Estimate of Contingent & Prospective Resources

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 specialist North American tight gas and unconventional resource assessment consulting group, were commissioned to undertake an independent assessment of the gas and liquids resources of the Laurel Formation in the Valhalla area. D&M used the extensive data base collected by the Joint Venture over the course of the drilling and evaluation of the wells in the area including the extensive core and tight rock analysis data, detailed petrophysical analysis, and the observations from the flowbacks of the stimulated wells. The D&M analysis concentrated on the Valhalla North 1, Asgard 1 and Valhalla 1 and 2 wells on the EP 371 permit.

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, of which Buru Energy has a 50% equity share, are provided below:

Contingent Resources	Unrisked		
	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

Prospective Resources	Unrisked				Risked
	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.
- ii. Probabilistic method used and the estimates are the statistical aggregates of unconventional resources.
- iii. 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.
- iv. 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.
- 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.

To convert the identified Contingent Resources and Prospective Resources to Petroleum Reserves will require additional data to be acquired, and drilling to be carried out, including vertical and horizontal wells, together with extended production tests. There is extensive production from tight gas reservoirs internationally and there is a well understood and systematic process that can be undertaken to progress the resources to commercial production.

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REVIEW OF OPERATIONS
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (CONT'D)

Corporate

Sale of Yakka Munga Pastoral Lease

During the period, the Group entered into a contract to sell the Yakka Munga Pastoral Lease to Shanghai Zenith (Australia) Investment Holding Pty Ltd (SZI) and the sale was completed subsequent to the end of the period on 1 August 2016. The Lease was sold for a total of \$9.878 million before costs.

Buru originally acquired the Yakka Munga Pastoral Lease in January 2015 for \$7.0 million. The Lease has been a profitable investment for the Company and the access deed entered into with the new owners will ensure Buru is able to carry out all of its petroleum activities whilst maintaining a mutually beneficial relationship with the pastoral activities of the new owners.

State Agreement

In 2013 Buru 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 has now been extended to 30 June 2018 and other consequential amendments have been made to give effect to this variation.

Alcoa Gas Sales Agreement

The original gas sales agreement between ARC Energy Limited (subsequently Buru Energy) and Alcoa of Australia Limited (Alcoa) was entered into in 2007. The gas sales agreement was for ARC Energy to supply up to 500 petajoules of gas to Alcoa at a gas price that reflected the long-term commitment between the parties and the realities of the Western Australian gas market in 2007. Under the terms of the original agreement, Alcoa made a \$40 million prepayment for gas which was to be repaid if a final investment decision (FID) to supply gas did not occur by agreed dates. In 2015, Buru and Alcoa terminated the gas sales agreement between them with \$15 million repaid in August 2015, and agreement reached for the following repayment terms for the remaining \$25 million:

- \$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.

Subsequent to the end of this reporting period, on 1 August 2016, Buru and Alcoa reached a further agreement under which Buru may repay to Alcoa the sum of \$12.5 million on or before 28 December 2016, and if it does so, the final instalment of \$12.5 million will be due for payment in approximately two years' time on 30 June 2018, without the need for the Company to have to satisfy any financial conditions prior to that date. The payment due on or before 28 December 2016 will be supported by the net proceeds of the sale of the Yakka Munga Pastoral Lease.

**BURU ENERGY LIMITED
DIRECTORS' REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

The Directors present their report together with the condensed consolidated interim financial statements of the Group comprising Buru Energy Limited (Buru Energy or the Company) and its subsidiaries for the six month period ended 30 June 2016 and the auditor's independent review report thereon.

Directors

The Directors of the Company in office at any time during or since the end of the period are as follows:

- Mr Eric Streitberg - Executive Chairman
- Ms Eve Howell – Non-Executive
- Mr Robert Willes – Non-Executive

The Company Secretary is Mr Shane McDermott.

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.

Review of Operations

The review of operations during the six month period ended 30 June 2016 is set out on pages 3 to 6 and forms part of this Directors' Report.

After Balance Date Events

Subsequent to the end of the reporting 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 of the transaction occurred on 1 August 2016.

In addition, on 1 August 2016 Buru Energy and Alcoa of Australia Limited reached agreement to vary the repayment terms of Buru Energy's \$25 million liability to Alcoa. Buru now has the option to repay to Alcoa the sum of \$12.5 million on or before 28 December 2016, and if it does so, the final instalment of \$12.5 million will be due for payment on 30 June 2018, without the need for the Company to have to satisfy any financial conditions prior to that date. The payment due on or before 28 December 2016 will be supported by the net proceeds of the sale of the Yakka Munga Pastoral Lease.

Refer to the Review of Operations and Notes 11 and 19 of the interim financial statements for further information.

Dividends

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

Auditor's Independence Declaration

The lead auditor's independence declaration for the period is set out on page 9 and forms part of this Directors' Report.

Rounding Off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016 and in accordance with that Corporations Instrument, amounts in the condensed consolidated interim financial report and Director's report have been rounded off to the nearest thousand dollars, unless otherwise stated.

**BURU ENERGY LIMITED
DIRECTORS' REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (CONT'D)**

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



Mr Eric Streitberg
Executive Chairman
Perth
6 September 2016



Mr Robert Willes
Non-Executive Director
Perth
6 September 2016



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

To: the directors of Buru Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 June 2016 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

G-H-77

Graham Hogg

Partner

Perth

6 September 2016

BURU ENERGY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

<i>in thousands of AUD</i>	Note	30 Jun 2016	31 Dec 2015
Current Assets			
Cash and cash equivalents		23,926	33,897
Trade and other receivables	7	6,115	2,003
Inventories		2,865	2,966
Assets held for sale (Yakka Munga Pastoral Lease)	17	8,605	-
Agricultural assets		-	2,625
Total Current Assets		<u>41,511</u>	<u>41,491</u>
Non-Current Assets			
Property, plant and equipment	8	5,714	10,702
Exploration and evaluation expenditure	9	43,112	48,240
Oil and gas assets	10	22,943	24,129
Investments		51	105
Total Non-Current Assets		<u>71,820</u>	<u>83,176</u>
Total Assets		<u>113,331</u>	<u>124,667</u>
Current Liabilities			
Trade and other payables		1,353	7,655
Provisions		1,298	1,387
Borrowings	11	11,469	-
Total Current Liabilities		<u>14,120</u>	<u>9,042</u>
Non-Current Liabilities			
Provisions		4,096	4,091
Borrowings	11	10,981	21,507
Total Non-Current Liabilities		<u>15,077</u>	<u>25,598</u>
Total Liabilities		<u>29,197</u>	<u>34,640</u>
Net Assets		<u>84,134</u>	<u>90,027</u>
Equity			
Contributed equity		258,211	258,211
Reserves		1,940	2,626
Accumulated losses		(176,017)	(170,810)
Total equity		<u>84,134</u>	<u>90,027</u>

The notes on pages 14 to 22 are an integral part of these condensed consolidated financial statements.

BURU ENERGY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2016

<i>in thousands of AUD</i>	Note	30 Jun 2016	30 Jun 2015
Revenue		219	979
Cost of sales		(1,092)	(2,645)
Amortisation of oil and gas assets	10	(1,394)	(873)
Gross profit / (loss)		<u>(2,267)</u>	<u>(2,539)</u>
Other income		80	57
Exploration and evaluation expenditure		(1,508)	(3,820)
Impairment of exploration and evaluation expenditure		-	(2,524)
Impairment of financial asset	13	(224)	-
Corporate and administrative expenditure	12	(2,961)	(3,453)
Share based payments expenses	14	(23)	(771)
Results from operating activities		<u>(6,903)</u>	<u>(13,050)</u>
Net finance income / (expense)		(590)	1,052
Loss from continuing operations before income tax		<u>(7,493)</u>	<u>(11,998)</u>
Income tax expense		-	-
Loss from continuing operations for the period		<u>(7,493)</u>	<u>(11,998)</u>
Discontinued operations (Yakka Munga Pastoral Lease)			
Profit from discontinued operations, net of tax	18	1,406	142
Loss for the period		<u>(6,087)</u>	<u>(11,856)</u>
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Available-for-sale financial assets reclassified to profit or loss		171	(470)
Other comprehensive income / (loss) for the period, net of income tax		171	(470)
Total comprehensive loss for the period		<u>(5,916)</u>	<u>(12,326)</u>
Basic loss per share (cents)		(1.80)	(3.49)
Diluted loss per share (cents)		(1.80)	(3.49)
Basic loss per share from continuing operations (cents)		(2.21)	(3.53)
Diluted loss per share from continuing operations (cents)		(2.21)	(3.53)

The notes on pages 14 to 22 are an integral part of these condensed consolidated financial statements

BURU ENERGY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016

in thousands of AUD

	Share capital	Share based payment reserve	Financial asset revaluation reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$
Balance as at 1 January 2015	258,211	1,991	325	(130,561)	129,966
Comprehensive loss for the period					
Loss for the period	-	-	-	(11,856)	(11,856)
Net change in fair value of available-for-sale financial assets	-	-	(470)	-	(470)
Total comprehensive loss for the period	-	-	(470)	(11,856)	(12,326)
Transactions with owners recorded directly in equity					
Share based payment transactions	-	771	-	-	771
Share options exercised/forfeited	-	(138)	-	138	-
Total transactions with owners recorded directly in equity	-	633	-	138	771
Balance as at 30 June 2015	258,211	2,624	(145)	(142,279)	118,411
	Share capital	Share based payment reserve	Financial asset revaluation reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$
Balance as at 1 January 2016	258,211	2,797	(171)	(170,810)	90,027
Comprehensive loss for the period					
Loss for the period	-	-	-	(6,087)	(6,087)
Available-for-sale financial assets reclassified to profit or loss	-	-	171	-	171
Total comprehensive loss for the period	-	-	171	(6,087)	(5,916)
Transactions with owners recorded directly in equity					
Share based payment transactions	-	23	-	-	23
Share options exercised/forfeited	-	(880)	-	880	-
Total transactions with owners recorded directly in equity	-	(857)	-	880	23
Balance as at 30 June 2016	258,211	1,940	-	(176,017)	84,134

The notes on pages 14 to 22 are an integral part of these condensed consolidated financial statements.

BURU ENERGY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

<i>In thousands of AUD</i>	30 Jun 2016	30 Jun 2015
Cash flows from operating activities		
Cash receipts from sales of crude	744	2,063
Net cash receipts from other income	80	199
Payments to suppliers and employees	(3,679)	(4,884)
Payments for exploration and evaluation	(1,962)	(3,557)
Net cash outflow from operating activities	<u>(4,817)</u>	<u>(6,179)</u>
Cash flows from investing activities		
Interest received	443	957
Payments for purchase of plant and equipment	-	(64)
Payments for exploration and evaluation	(5,135)	(3,622)
Payments for oil and gas development	(432)	(2,690)
Payments for acquisition of Yakka Munga Station Pastoral Lease	-	(6,300)
Transfer to long-term cash held in escrow	-	(281)
Net cash outflow from investing activities	<u>(5,124)</u>	<u>(12,000)</u>
Cash flows from financing activities		
Net cash from financing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	(9,941)	(18,179)
Cash and cash equivalents at beginning of the period	33,897	59,893
Effect of exchange rate changes on cash and cash equivalents	(30)	142
Cash and cash equivalents at the end of the period	<u>23,926</u>	<u>41,856</u>

The notes on pages 14 to 22 are an integral part of these condensed consolidated financial statements

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 condensed consolidated interim financial statements of the Company as at, and for the six months ended, 30 June 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

Statement of Compliance

These condensed consolidated interim financial statements are general purpose financial statements which have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2015. The consolidated financial statements of the Group as at, and for the year ended, 31 December 2015 are available upon request from the Company's registered office or at www.buruenergy.com. The condensed consolidated interim financial statements comply with IAS 34 *Interim Financial Reporting*. These condensed consolidated interim financial statements were approved by the Board of Directors on 6 September 2016.

3 Significant Accounting Policies

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as "Assets held for sale" if it is highly probable that they will be recovered primarily through the sale rather than through continuing use. Such assets, or disposal groups, are generally measured as the lower of their carrying amount and fair value less costs to sell. Once classified as "Assets held for sale", intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity accounted investee is no longer required.

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 separate 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-sell.

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 other comprehensive income is presented as if the operation has been discontinued from the start of the comparative year.

All other accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at, and for the year ended, 31 December 2015.

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (CONT'D)

4 Estimates

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. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2015.

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 Station Pastoral Lease. 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: Includes the transactions and balances relating to the Yakka Munga Station Pastoral Lease and the cattle on that station. The Yakka Munga Pastoral Lease is disclosed as "Assets held for sale" on the Statement of Financial Position as at 30 June 2016 and the profit from the Yakka Munga Pastoral Lease is disclosed as "Profit from discontinued operations" on the Statement of Profit or Loss and Other Comprehensive Income.

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 segment revenues, profit or loss and assets to the consolidated figures.

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (CONT'D)

Profit and loss	Oil		Gas		Exploration		Pastoral Lease*		Corporate**		Total		
	<i>in thousands of AUD</i>	Jun 16	Jun 15	Jun 16	Jun 15	Jun 16	Jun 15	Jun 16	Jun 15	Jun 16	Jun 15	Jun 16	Jun 15
External revenues		219	979	-	-	-	-	-	-	-	-	219	979
Operating costs		(1,092)	(2,645)	-	-	-	-	-	-	-	-	(1,092)	(2,645)
Amortisation of oil and gas assets		(1,394)	(873)	-	-	-	-	-	-	-	-	(1,394)	(873)
Gross Profit		(2,267)	(2,539)	-	-	-	-	-	-	-	-	(2,267)	(2,539)
Other income		-	-	-	-	-	-	-	142	80	57	80	199
Exploration and evaluation expenditure		-	-	-	-	(1,508)	(3,820)	-	-	-	-	(1,508)	(3,820)
Impairment of exploration and evaluation expenditure		-	-	-	-	-	(2,524)	-	-	-	-	-	(2,524)
Impairment of financial asset		-	-	-	-	-	-	-	-	(224)	-	(224)	-
Increase in FV of agricultural assets		-	-	-	-	-	-	1,605	-	-	-	1,605	-
Corporate and administrative expenditure, including depreciation		-	-	-	-	-	-	-	-	(2,961)	(3,453)	(2,961)	(3,453)
Other expenditure		-	-	-	-	-	-	(199)	-	-	-	(199)	-
Share based payment expenses		-	-	-	-	-	-	-	-	(23)	(771)	(23)	(771)
EBIT		(2,267)	(2,539)	-	-	(1,508)	(6,344)	1,406	142	(3,128)	(4,167)	(5,497)	(12,908)
Financial income		-	-	-	-	-	-	-	-	(590)	1,052	(590)	1,052
Reportable segment profit / (loss) before tax		(2,267)	(2,539)	-	-	(1,508)	(6,344)	1,406	142	(3,718)	(3,115)	(6,087)	(11,856)

* The profit from the Yakka Munga Pastoral Lease is disclosed as "Profit from discontinued operations" on the Statement of Profit or Loss and Other Comprehensive Income

** Corporate represents reconciliation of reportable segments to IFRS measures

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (CONT'D)

Total Assets	Oil		Gas		Exploration		Pastoral Lease*		Corporate**		Total	
	<i>in thousands of AUD</i> Jun 16	Dec 15	Jun 16	Dec 15	Jun 16	Dec 15	Jun 16	Dec 15	Jun 16	Dec 15	Jun 16	Dec 15
Current assets	-	960	-	-	2,865	2,583	8,605	2,625	30,041	35,323	41,511	41,491
Property, plant and equipment	-	-	-	-	-	-	-	4,375	5,714	6,327	5,714	10,702
Exploration and evaluation assets	-	-	21,889	31,363	21,223	16,877	-	-	-	-	43,112	48,240
Oil and gas assets	22,943	24,129	-	-	-	-	-	-	-	-	22,943	24,129
Investments	-	-	-	-	-	-	-	-	51	105	51	105
Total Assets	22,943	25,089	21,889	31,363	24,088	19,460	8,605	7,000	35,806	41,755	113,331	124,667

* The Yakka Munga Pastoral Lease is disclosed as "Assets held for sale" on the Statement of Financial Position as at 30 June 2016

** Corporate represents reconciliation of reportable segments to IFRS measures

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (CONT'D)

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 borrowings are classed at Level 2. The Group has no other financial instruments measured at fair value.

7 Trade and Other Receivables

in thousands of AUD

	30 Jun 2016	31 Dec 2015
	\$	\$
Trade receivables	-	599
Interest receivables	61	68
JV receivables	-	(330)
Prepayments	62	104
Net GST receivable	51	1,419
Research and development tax concession receivable	5,793	-
Other receivables	148	143
	6,115	2,003

8 Property, Plant and Equipment

During the six months ended 30 June 2016 the Group did not acquire any property, plant and equipment assets (during the year ended 31 December 2015, the Group acquired property, plant and equipment assets totalling: \$4,453,000).

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (CONT'D)

9 Exploration and Evaluation Expenditure Capitalised

in thousands of AUD

	30 Jun 2016	31 Dec 2015
	\$	\$
Carrying amount at beginning of the period	48,240	64,930
Exploration expenditure capitalised	665	23,977
Transferred to development expenditure	-	(9,290)
Exploration expenditure written off during the period	-	(29,158)
Research and development tax concession	(5,793)	(2,219)
Carrying amount at the end of the period	43,112	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.

10 Oil and Gas Assets

in thousands of AUD

	30 Jun 2016	31 Dec 2015
	\$	\$
Assets in Development		
Carrying amount at beginning of the period	24,129	14,666
Expenditure incurred	208	2,371
Transferred from exploration expenditure	-	9,290
Amortisation expensed	(1,394)	(2,198)
Carrying amount at the end of the period	22,943	24,129

11 Borrowings

in thousands of AUD

	30 Jun 2016	31 Dec 2015
	\$	\$
Non-current		
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 period	21,507	-
Interest expense of unwinding of the fair value difference	943	-
Borrowings at the end of the period	22,450	21,507
Current borrowings	11,469	-
Non-current borrowings	10,981	21,507
Total borrowings	22,450	21,507

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

The borrowings consists of Buru Energy's obligation to repay the remaining balance of \$25,000,000 under the original Gas Supply Agreement (GSA) with Alcoa. Buru Energy and Alcoa terminated the GSA in 2015 with the repayments of \$12,500,000 to be paid on 30 June 2017 and \$12,500,000 to be paid on 30 June 2018, subject to financial criteria being met from 31 December 2017. The financial criteria in relation to extension of the final payment of \$12,500,000 from 31 December 2017 through to 30 June 2018 was that Buru Energy has at least \$15,000,000 in cash throughout that period.

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (CONT'D)

Subsequent to the end of the period, Buru Energy and Alcoa reached agreement under which Buru Energy may repay to Alcoa the sum of \$12,500,000 on or before 28 December 2016, and if it does so, the final instalment of \$12,500,000 will be due for payment on 30 June 2018, without the need for the Company to have to satisfy any financial conditions prior to that date.

The fair value of the borrowings 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 \$25,000,000. The borrowings were initially fair valued using an indicative interest rate of 8.25% and the repayment dates above. The fair value of borrowings at period end approximates its carrying value of \$22,450,000 (Dec 2015: \$21,507,000).

12 Administrative Expenditure

in thousands of AUD

	30 Jun 2016	30 Jun 2015
	\$	\$
Personnel and associated expenses	1,414	1,840
Office and other administration expenses	1,547	1,613
	2,961	3,453

13 Capital and Reserves

	Ordinary Shares	
	1 Jan – 30 Jun 2016	1 Jan – 31 Dec 2015
	No.	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 outstanding equity based compensation to the Group's 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). 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.

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (CONT'D)

14 Share-based Payments

<i>Fair value expensed in thousands of AUD</i>	1 Jan – 30 Jun 2016	1 Jan – 30 Jun 2015
Share Appreciation Rights expense	23	(91)
Employee Share Option Plan expense	-	862
	23	771

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 30 June 2016	(1,006,563)
Outstanding as at 30 June 2016	1,214,650

All SARs outstanding as at 30 June 2016 vest on 31 October 2016.

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 30 June 2016	\$1.12	(1,200,000)
Forfeited during the period ended 30 June 2016	\$0.80	(1,100,000)
Outstanding and exercisable as at 30 June 2016	\$0.96	8,000,000

The unlisted share options outstanding as at 30 June 2016 have a weighted average exercise price of \$0.96 (December 2015: \$0.96), and a weighted average contractual life of 1 year (December 2015: 1.5 years). All options fully vested immediately on the grant date. No options were exercised during the period.

15 Capital and Other Commitments

<i>in thousands of AUD</i>	30 Jun 2016	31 Dec 2015
Exploration expenditure commitments	\$	\$
<i>Contracted but not yet provided for and payable:</i>		
Within one year	14,143	13,994
One year later and no later than five years	30,375	25,575
	44,518	39,569

BURU ENERGY LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (CONT'D)

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

16 Related Parties

Key management personnel compensation comprised:

	1 Jan – 30 Jun 2016	1 Jan – 30 Jun 2015
Short-term employee benefits	842,706	987,845
Post-employment benefits	73,235	107,195
Termination benefits	165,000	183,333
Share-based payments	34,327	150,646
	1,115,268	1,429,019

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

17 Assets held for sale - Yakka Munga Pastoral Lease

During the period, the Group entered into a contract to sell the Yakka Munga Pastoral Lease to Shanghai Zenith (Australia) Investment Holding Pty Ltd (SZI), accordingly, the Yakka Munga Pastoral Lease is disclosed as 'assets held for sale' as at 30 June 2016 and comprised of the following balances on that date:

	30 Jun 2016
<i>in thousands of AUD</i>	
Agricultural Assets (Cattle livestock) at fair value	4,230
Property, Plant and Equipment (Pastoral Lease) at cost	4,375
Assets held for sale - Yakka Munga Pastoral Lease	8,605

18 Discontinued operations - Yakka Munga Pastoral Lease

As a result of the Yakka Munga Pastoral Lease sale contract as disclosed above at Note 17, the profit from the Yakka Munga Pastoral Lease for the period is disclosed as 'profit from discontinued operations' and comprised of the following income and expenditure during the period:

<i>in thousands of AUD</i>	30 Jun 2016	30 Jun 2015
	\$	\$
Pastoral Lease income	190	1,105
Pastoral Lease expenditure	(389)	(963)
Increase in fair value of agricultural assets	1,605	-
	1,406	142

19 Subsequent Events

Subsequent to the end of the reporting period, the Group has completed the sale of the Yakka Munga Pastoral Lease to Shanghai Zenith (Australia) Investment Holding Pty Ltd (SZI) for \$9,878,000 before costs. Settlement was completed on 1 August 2016.

As stated at Note 11, subsequent to the end of the period Buru Energy and Alcoa reached agreement under which Buru Energy may repay to Alcoa the sum of \$12,500,000 on or before 28 December 2016, and if it does so, the final instalment of \$12,500,000 will be due for payment on 30 June 2018, without the need for the Company to have to satisfy any financial conditions prior to that date. The payment due on or before 28 December 2016 will be supported by the net proceeds of the sale of the Yakka Munga Pastoral Lease.

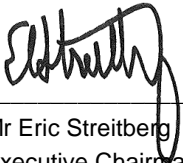
BURU ENERGY LIMITED
DIRECTORS' DECLARATION

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

- (a) the financial statements and notes set out on pages 10 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 30 June 2016 and of its performance for the six month period ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001;

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

Signed in accordance with a resolution of the Directors:



Mr Eric Streitberg
Executive Chairman
Perth
6 September 2016



Mr Robert Willes
Non-Executive Director
Perth
6 September 2016



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

We have reviewed the accompanying interim financial report of Buru Energy Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2016, condensed consolidated statement of profit and loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 19 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Buru Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Buru Energy Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

G-H-77

Graham Hogg

Partner

Perth

6 September 2016

Directors

Mr Eric Streitberg – Executive Chairman
Ms Eve Howell – Non-Executive
Mr Robert Willes – Non-Executive

Company Secretary

Mr Shane McDermott

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