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ASX ANNOUNCEMENT (ASX: BRU) 12 March 2010

HALF YEAR REPORT
FOR THE PERIOD ENDING 31 DECEMBER 2009

Please see attached Buru Energy Limited's Half-Year Report for the period ending 31 December 2009.

This report will also be available on the Company's website: www.buruenergy.com

For inquiries please contact:

Eric Streitberg Executive Director
Telephone: +61 8 9215 1800
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Email: ericstreitberg@buruenergy.com

Yours faithfully

ERIC STREITBERG
Executive Director

Buru Energy Limited
ABN 71 130 651 437

Interim Financial Report
For the period ended 31 December 2009

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The Directors present their report together with the consolidated interim financial report of Buru Energy Limited (the "Company") and its subsidiaries, and its interests in jointly controlled entities ("Buru" or the "Group") for the six months ended 31 December 2009 and the auditor's independent review report thereon.

Directors

The names and details of the Directors of the Company in office at any time during or since the end of the period are as follows.

Executive

Mr Eric Streitberg – Executive Director from 19 October 2009 (Chairman from 16 October 2008 to 31 March 2009, Non-Executive Director from 31 March 2009 to 19 October 2009)

Mr Adrian Cook – Resigned 19 October 2009

Non-Executive

Mr Graham Riley – Chairman

The Hon. Peter Jones – Appointed 19 October 2009

Mr Tom Streitberg – Alternative Director for Mr Eric Streitberg (Appointed 5 August 2009, resigned 26 September 2009)

Company Secretary

Mr Tom Streitberg – Appointed 21 December 2009

Mr Adrian Di Carlo – Resigned 21 December 2009

Principal Activities

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

Review of operations

The key features of Buru's operations during the period were:

- the completion of the Bunda 3D seismic survey and the Paradise 2D seismic survey;
- the commitment, subject to the confirmation of suitable prospects and the receipt of all necessary regulatory, joint venture and Traditional Owner approvals, of up to a 6 well drilling campaign during the 2010 field season;
- the commitment to use the Company's wholly owned Fairway Drilling Rig to conduct the 2010 drilling campaign and the commencement of the refurbishment of the Fairway Drilling Rig;
- the acquisition from New Standard Energy Limited ("New Standard") (ASX:NSE) of permits which give the Company a controlling position in the Acacia Province in the Canning Basin; and
- the resignation of Mr Adrian Cook, Buru's Managing Director, and the appointment of Mr Eric Streitberg as Executive Director.

The Group's operations during the period are discussed in more detail below.

Production and Development

The Group's oil production from the Blina and Sundown oil fields, contained within the L6 and L8 production licences, averaged approximately 91 barrels of oil per day ("bopd") for the period. Production from these fields continued its gradual decline during the period from a recent peak of approximately 200 bopd achieved in the period ending 31 December 2008 following a program of workovers. This decline is a result of natural depletion, some mechanical problems, production interruptions from the fields being shut in during the passage of Severe Tropical Cyclone Laurence in late December 2009 and other intermittent weather related shut-ins.

The Blina and Sundown oil fields remain cash flow positive and Buru is reviewing the management of these fields with a view to increasing profitability as part of the overall planning for future development in the event of exploration success during the 2010 drilling campaign. As part of this process Buru is investigating ways to increase production from the Blina and Sundown oil fields. The feasibility of incorporating further workovers of existing wells and additional step-out and in-fill drilling as part of the 2010 drilling campaign to arrest natural production decline is being considered.

Exploration

During the period Buru completed the Bunda 3D seismic survey and the Paradise 2D seismic survey.

The Bunda 3D seismic survey was commenced on 16 August 2009 and completed two weeks ahead of schedule on 16 September 2009. The survey acquired approximately 223 square kilometres of 3D seismic data in the EP129 exploration permit and the L8 production license. The Paradise 2D seismic survey was conducted between 17 September 2009 and 24 September 2009. The survey comprised 9 seismic lines over approximately 103 kilometres in the EP 371 and EP 428 exploration permits, approximately 50 kilometres south-east of the Bunda 3D seismic survey.

The data acquired from the Bunda 3D seismic survey was processed during the period. A final data set was received on 4 February 2010 (following the end of the period). Interpretation of the data is ongoing with interpretation to date having identified a number of attractive drilling candidates and provided considerable insight into the hydrocarbon habitat of the survey area.

The data acquired from the Paradise 2D seismic survey was received following processing during the period. The data has been integrated with the existing 2D seismic data acquired by ARC Energy Limited ("ARC") in 2007 in the area surrounding the Paradise structure. This data is currently being used to further delineate the Paradise prospect and assess the geological risks associated with the drilling of that prospect. Preliminary indications are that the Paradise structure is an attractive drilling target and a strong candidate for inclusion in the 2010 drilling campaign.

Based on the results of the Bunda 3D seismic survey and the Paradise 2D seismic survey, together with its ongoing technical work program, Buru commenced a process of assessing and high grading a variety of existing prospects as candidates for further technical, operational and economic evaluation during the period. This evaluation is ongoing and is expected to be completed in March or April 2010. Based on this evaluation a definitive set of candidates for drilling during the 2010 drilling campaign will be identified.

Drilling

During the period Buru commenced planning a drilling campaign of up to 6 wells in the 2010 field season. The drilling campaign is subject to confirmation of suitable prospects and the receipt of all necessary regulatory, joint venture and Traditional Owner approvals. Work commenced during the period on securing these approvals.

During the period Buru undertook a detailed assessment of the availability, costs and operational performance of a variety of drilling rigs for use in the 2010 drilling campaign. Based on this assessment Buru has decided to use its wholly owned Fairway Drilling Rig for the 2010 drilling campaign. The Fairway Drilling Rig has most recently been used to conduct workovers of ARC's Perth Basin oil fields and in the past has drilled exploration and production wells for a number of operators in the Perth Basin. By using a rig under its own control Buru has a high degree of operational flexibility allowing it to tailor the 2010 drilling campaign to meet its operational and commercial drivers and modify that campaign as required to meet changing circumstances, for example the ability to drill immediate follow-up wells in the case of a discovery (if warranted).

During the period the process of preparing the Fairway Rig for the 2010 drilling campaign commenced. This process includes third party inspections, repair and refurbishment of equipment, and the purchase of specific equipment for the 2010 drilling campaign. This process will enable the Fairway Rig to safely and reliably drill wells down to a depth of 2,500m, sufficient for all prospects currently under consideration for inclusion in the 2010 drilling campaign. It is expected that the refurbishment process will be completed and the rig mobilised to the Canning Basin in early May 2010.

During the period the Company commenced on ground preparations for the 2010 drilling campaign, including identifying potential well sites, access roads, water supplies and potential sites for drill camps. This work is being undertaken in conjunction with the technical evaluation of prospects to identify the most cost effective way to conduct on-ground activities during 2010.

Corporate

During the period Buru acquired New Standard's interests in Canning Basin permits EP 442, EP 442A, application area 10/08-9 (previously known as acreage release L08-3) and application area 30/07-8. The Group now holds a 100% interest in each of these permits (subject to certain farm-in rights)[1] which, together with Buru's existing interests in EP 431 and application area 3/07-08, provide Buru with operatorship and control over the majority of the Acacia Province in the Canning Basin, encompassing the highly prospective Acacia fairway play. In consideration, Buru paid New Standard $3.2 million in cash, issued New Standard 18 million new Buru shares and transferred Buru's 10% interest in EP 443, EP 450, EP 451 and EP 456 to New Standard. This transaction was completed on 4 September 2009.

On 25 November 2009 the Company initiated an unmarketable parcel sale facility. This facility enables shareholders who hold less than $500 worth of Buru shares to sell their shares without incurring brokerage or other transaction costs. The facility was closed on 11 January 2010. 3,315 small shareholders holding a total of 3,530,682 shares in the Company took advantage of this facility to sell their shares. These shares were sold on market following the end of the period for an average price of approximately $0.236 per share. Prior to the facility, Buru had approximately 10,000 share holders. A reduction of 3,315 shareholders is expected to reduce the ongoing costs associated with administrating such a wide shareholder base.

Management Changes

On 1 October 2009 Mr Adrian Cook, Buru's then Managing Director, announced his intention to resign from the Company. That resignation took effect on 19 October 2009.

Following his re-election at the Company's 2009 Annual General Meeting, Mr Eric Streitberg, previously the Chairman and a Non-Executive Director of the Company, was appointed as Executive Director with overall supervisory responsibility for the Group. Mr Streitberg has taken direct responsibility for the management of Buru's exploration program and corporate affairs. The Buru Board agreed not to directly replace Mr Cook, with those of his responsibilities not taken up by Mr Streitberg being taken up through the Group's existing resources.

The Company has also appointed experienced professionals as General Manager – Operations (during the period) and Drilling Manager (subsequent to the end of the period). The General Manager – Operations has overall supervisory responsibility for the Group's field operations, both production and exploration. The Drilling Manager will be based primarily in the field and has day to day responsibility for the conduct of drilling operations. Ensuring the Group conforms to best practice safety and environmental standards is a key deliverable for both the General Manager – Operations and the Drilling Manager.

[1] As part of this transaction Buru assumed the benefit of the agreements between New Standard and Trident Energy Limited ("Trident") over EP 442A, acreage release L08-3 and application area 30/07-8. These agreements provide Trident with the right to earn a 17.5% interest in EP 442A by paying 25% of the cost of geochemical studies, 200km of 2D seismic data and drilling one pre-salt well. Trident also has a first right of refusal to negotiate a future farm in agreement covering acreage release L08-3 and application area 30/07-8 on similar terms.

Financial Review

Cash Flows

During the six months ended 31 December 2009 the Blina and Sundown oil fields produced an operating cash surplus of $327,090 which, combined with interest received of $543,213, provided a material offset to administrative cash outflows of $1,646,774. The Group's exploration cash outflows in the period were $10,701,905. The Group had a net cash outflow of $12,354,793 (before adjusting for the effect of exchange rate changes) during the period leaving Buru with $45,769,053 in cash and cash equivalents available for exploration and development of the Canning Basin as at 31 December 2009.

Income Statement

The consolidated loss for the six months ended 31 December 2009 of the Group after providing for income tax amounted to $1,610,621 (31 December 2008: Loss of $31,008,944). The Group's significant loss in the previous period was a result of recording an impairment loss of $39,909,205 against capitalised exploration expenditure. The Group recorded an impairment loss of $91,850 against capitalised exploration expenditure in the current period. The difference in this impairment loss largely accounts for the significant difference in the reported loss for the Group between the current and previous period.

Financial Position

The net assets of the Group totalled $44,371,239 as at 31 December 2009 (30 June 2009: $39,413,312).

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.

After Balance Date Events

On 15 January 2010, Buru announced that it had entered into agreements with Gulliver Productions Pty Ltd (a wholly owned subsidiary of Empire Oil and Gas NL (ASX: EGO)) and Indigo Oil Pty Ltd in respect of Canning Basin permit EP 438 and Gulliver Productions Pty Ltd, Indigo Oil Pty Ltd and United Orogen Ltd (ASX: UOG) in respect of Canning Basin permit EP 448. These agreements resulted in Buru:

- relinquishing its existing 5% interest in EP 448 together with the associated $3 million farm-in commitment in respect of that block; and
- gaining the right to earn a further 70% interest in EP 438 by spending $3 million on further exploration in that permit, which is expected to include the drilling of one well in the permit during the 2010 drilling campaign, taking Buru's interest in EP 438 to 75%.

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

Auditor's Independence Declaration

The lead auditor's independence declaration for the period has been received and can be found on page 21.

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

Mr Eric Streitberg
Executive Director
Perth
12 March 2010

Mr Graham Riley
Chairman
Perth
12 March 2010

BURU ENERGY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Note	31 Dec 2009 $	30 Jun 2009 $
Assets			
Cash and cash equivalents		45,769,053	58,274,010
Trade and other receivables		2,026,682	1,571,624
Inventories		548,787	407,306
Total current assets		**48,344,522**	**60,252,940**
Financial assets	9	23,285,521	21,375,794
Exploration and evaluation expenditure	8	16,957,457	3,600,602
Property, plant and equipment		2,115,161	1,441,435
Total non-current assets		**42,358,139**	**26,417,831**
Total assets		**90,702,661**	**86,670,771**
Liabilities			
Trade and other payables		1,167,282	2,046,053
Provisions		66,992	60,399
Total current liabilities		**1,234,274**	**2,106,452**
Trade and other payables	10	40,000,000	40,000,000
Provisions		5,097,148	5,151,007
Total non-current liabilities		**45,097,148**	**45,151,007**
Total liabilities		**46,331,422**	**47,257,459**
Net assets		**44,371,239**	**39,413,312**
Equity			
Share capital		75,440,234	71,572,734
Reserves		2,875,394	238,846
Retained losses		(33,944,389)	(32,398,268)
Total equity		**44,371,239**	**39,413,312**

The notes on pages 11 to 17 are an integral part of these consolidated financial statements.

BURU ENERGY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	Note	31 Dec 2009 $	31 Dec 2008 $
Revenue		1,374,450	1,635,239
Cost of sales		(1,186,506)	(1,264,328)
Gross profit		**187,944**	**370,911**
Other income		35,807	-
Impairment of exploration expenditure	8	(91,850)	(39,909,205)
Impairment of development expenditure		-	(667,927)
Impairment of financial assets		-	(1,108,333)
Impairment of other non-current assets		-	(207,452)
Establishment and transaction expenses		(55,394)	(387,692)
Administrative personnel expenses		(836,896)	(562,240)
Share based payments		(1,601,048)	(148,476)
Office and other administration expenses		(446,833)	(526,179)
Results from operating activities		**(2,808,270)**	**(43,146,593)**
Finance income		1,198,905	1,699,425
Finance expenses		(1,256)	(728)
Net finance income		**1,197,649**	**1,698,697**
Income tax benefit		-	10,438,952
Loss for the period		**(1,610,621)**	**(31,008,944)**
Other comprehensive income			
Change in fair value of available-for-sale financial assets net of tax		1,100,000	-
Other comprehensive income for the period, net of income tax		**1,100,000**	**-**
Total comprehensive income for the period		**(510,621)**	**(31,008,944)**
Loss per share (cents)		**(0.91)**	**(40.94)**
Diluted loss per share (cents)		**(0.91)**	**(40.94)**

The notes on pages 11 to 17 are an integral part of these consolidated financial statements.

BURU ENERGY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	Share capital $	Share based payment reserve $	Revaluation reserve $	Retained losses $	Total equity $
Balance as at 16 April 2008	**-**	**-**	**-**	**-**	**-**
Comprehensive income for the period					
Loss for the period	-	-	-	(31,008,944)	(31,008,944)
Total comprehensive income for the period	**-**	**-**	**-**	**(31,008,944)**	**(31,008,944)**
Transactions with owners recorded directly in equity					
Issue of ordinary shares	71,572,734	-	-	-	71,572,734
Share based payment transactions	-	148,476	-	-	148,476
Total transaction with owners recorded directly in equity	**71,572,734**	**148,476**	**-**	**-**	**71,721,210**
Balance as at 31 December 2008	**71,572,734**	**148,476**	**-**	**(31,008,944)**	**40,712,266**

	Share capital $	Share based payment reserve $	Revaluation reserve $	Retained losses $	Total equity $
Balance as at 1 July 2009	**71,572,734**	**238,846**	**-**	**(32,398,268)**	**39,413,312**
Comprehensive income for the period					
Loss for the period	-	-	-	(1,610,621)	(1,610,621)
Net change in fair value of available-for-sale financial assets	-	-	1,100,000	-	1,100,000
Total comprehensive income for the period	**-**	**-**	**1,100,000**	**(1,610,621)**	**(510,621)**
Transactions with owners recorded directly in equity					
Issue of ordinary shares	3,867,500	-	-	-	3,867,500
Share based payment transactions	-	1,601,048	-	-	1,601,048
Adjustment for forfeited options	-	(64,500)	-	64,500	-
Total transaction with owners recorded directly in equity	**3,867,500**	**1,536,548**	**-**	**64,500**	**5,468,548**
Balance as at 31 December 2009	**75,440,234**	**1,775,394**	**1,100,000**	**(33,944,389)**	**44,371,239**

The notes on pages 11 to 17 are an integral part of these consolidated financial statements.

BURU ENERGY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	31 Dec 2009 $	31 Dec 2008 $
Cash flows from operating activities		
Loss for the period	(1,610,621)	(31,008,944)
Adjustments for non-cash transactions:		
Depreciation	47,122	55,036
Impairment losses on exploration expenditure	91,850	39,909,205
Impairment losses on development expenditure	-	667,927
Impairment losses on other non-current assets	-	207,452
Impairment losses on assets classified as available-for-sale	-	1,108,333
Equity-settled share-based payment transactions	1,601,048	148,476
Net finance income	(1,197,649)	(1,698,697)
Income tax benefit	-	(10,438,952)
	(1,068,250)	(1,050,164)
Change in trade and other receivables	72,425	(1,510,770)
Change in trade and other payables	(297,531)	1,433,660
Loan provided pursuant to the employee share acquisition scheme	(500,000)	-
Change in provisions	(47,266)	64,894
	(1,840,622)	(1,062,380)
Interest paid	(1,256)	(728)
Net cash used in operating activities	**(1,841,878)**	**(1,063,108)**
Cash flows from investing activities		
Interest received	543,213	963,507
Payments for purchase of plant and equipment	(653,997)	(386,741)
Payments for exploration and evaluation expenditure	(10,701,905)	(4,620,908)
Payments for development expenditure	-	(667,927)
Transfer to long-term cash held in escrow (*)	(309,726)	(20,000,000)
Net cash used in investing activities	**(11,122,415)**	**(24,712,069)**
Cash flows from financing activities		
Proceeds from the issue of share capital	609,500	1
Cash received from demerger with ARC Energy Limited	-	84,986,578
Net cash from financing activities	**609,500**	**84,986,579**
Net increase / (decrease) in cash and cash equivalents	**(12,354,793)**	**59,211,402**
Cash and cash equivalents at beginning of the period	58,274,010	-
Effect of exchange rate changes on cash and cash equivalents	(150,164)	58,968
Cash and cash equivalents at the end of the period	**45,769,053**	**59,270,370**

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

The notes on pages 11 to 17 are an integral part of these consolidated financial statements.

1 Reporting Entity

Buru Energy Limited ("Buru" or the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 1, 418 Murray Street, Perth, Western Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities. The Group is primarily involved in oil and gas exploration in the Canning Basin in the Kimberley region of north west Western Australia. The Company was incorporated on 16 April 2008 and therefore comparative information represents the reporting period 16 April 2008 to 31 December 2008.

The consolidated financial statements of the Group as at and for the period 16 April 2008 to 30 June 2009 are available upon request from the Company's registered office or at www.buruenergy.com.

2 Basis of Preparation

(a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the period 16 April 2008 to 30 June 2009. 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 12 March 2010.

3 Significant Accounting Policies

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the period 16 April 2008 to 30 June 2009.

(i) Determination and presentation of operating segments

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the Executive Director, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 Operating Segments. Previously operating segments were determined and presented in accordance with AASB 114 Segment Reporting.

An operating segment is a component of the Group 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 the Group's other components. Under the new accounting standard for segment reporting, the Group continues to have only one reportable business segment being the exploration, evaluation and development of oil and gas resources. Buru operates entirely in the geographical location of Western Australia. Therefore there is no change in comparative segment information.

(ii) Presentation of financial statements

The Group applies revised AASB 101 Presentation of Financial Statements, which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these condensed interim financial statements as of and for the six months period ended on 31 December 2009.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(iii) Accounting for Business Combinations

All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. The change in accounting policy was applied prospectively and had no impact on earnings per share.

The Group has applied the acquisition method for the business combination that occurred during the interim period ended 31 December 2009 as disclosed in note 7.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

Transaction costs that the Group incurs in connection with a business combination, such as legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then a part of the market-based measure of the replacement awards is included in the consideration transferred. If future services are required, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as post-combination compensation cost.

4 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the period 16 April 2008 to 30 June 2009.

5 Segment Information

The Group has only one reportable business segment being the exploration, evaluation and development of oil and gas resources. Buru operates entirely in the geographical location of Western Australia.

6 Financial Risk Management

Aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the period 16 April 2008 to 30 June 2009.

7. Acquisition of Subsidiary – Business Combination

On 11 August 2009, Buru announced that it had entered into an agreement with New Standard Energy Ltd ("NSE") which resulted in Buru effectively acquiring a 100% interest in Canning Basin permits EP 442, EP 442A, acreage release L08-3 and application area 30/07-8 through the purchase of 100% of Buru Energy (Acacia) Pty Ltd (formerly known as New Standard Exploration Pty Ltd).

The total fair value of the consideration provided was $6,458,000 being cash of $3,200,000 and 18,000,000 shares issued at a fair value of 18.1c per share (being the average share price on the five days prior to the announcement of the transaction). Buru also transferred their 10% interest in EP 443, EP 450, EP 451 and EP 456 to NSE. The fair value of the consideration of Buru's interest in these permits was nil.

The transaction was completed on 4 September 2009.

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

	Pre acquisition carrying amounts	**Fair value adjustments**	**Recognised values on acquisition**
	$	**$**	**$**
Exploration and evaluation expenditure	405,776	6,052,224	6,458,000
Net identifiable assets and liabilities	405,776	6,052,224	6,458,000
Total consideration			6,458,000
Consideration paid in cash			3,200,000
Cash acquired			-
Net cash outflow			3,200,000

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

8. Exploration and Evaluation Expenditure

	1 Jul 09 – 31 Dec 09	16 Apr 08 – 31 Dec 08
	$	$
Carrying amount at beginning of the interim period	3,600,602	-
Acquired from demerger of Buru from ARC Energy Ltd	-	39,390,393
Acquired through acquisition of subsidiary (Note 7)	6,458,000	-
Expenditure incurred during the period	6,990,705	4,260,908
Exploration expenditure written off	(91,850)	(39,909,205)
Carrying amount at the end of the interim period	16,957,457	3,742,096

The ultimate recoupment of costs carried forward for exploration assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

9. Financial Assets

	Dec 09	Jun 09
	$	$
Non-current financial assets		
Available-for-sale financial assets	1,718,750	618,750
Long-term cash held in escrow (i)	21,037,661	20,727,934
Loan pursuant to the employee share acquisition scheme	500,000	-
Other available-for-sale-financial assets	29,110	29,110
	23,285,521	21,375,794

(i) Buru and Alcoa of Australia Limited ("Alcoa") have agreed to escrow $20 million in cash and interest earned on the escrowed cash in partial satisfaction of Buru's potential obligations to repay $40 million to Alcoa if Buru does not supply gas in accordance with a gas sales agreement between Alcoa and Buru (Note 10).

10. Non-current Trade and Other Payables

	Dec 09	Jun 09
	$	$
Unearned income (i)	40,000,000	40,000,000

(i) Unearned income consists of Buru's potential obligation to repay a $40 million gas prepayment made by Alcoa to ARC Energy Ltd ("ARC") prior to the demerger of Buru. ARC entered into a gas supply agreement ("GSA") with Alcoa in September 2007. The GSA was novated from ARC to Buru as part of the demerger of Buru from ARC. The GSA provides for the delivery to Alcoa of up to 500 PJ of gas from gas discoveries made by Buru on Buru's Canning Basin permits prior to 1 January 2012. Pursuant to the GSA, Alcoa made a prepayment to ARC of $40 million for gas to be delivered under the GSA. Buru will be obliged to repay this $40 million in three equal annual instalments commencing on 31 December 2012 if, prior to 1 January 2012, Buru has not made a final investment decision to proceed with a gas development that would allow the supply of sufficient gas to meet its delivery obligations under the GSA. If Buru is required to repay the $40 million, there is no interest obligation. The third instalment may, at Buru's option, be settled by Buru issuing shares to Alcoa in satisfaction of the repayment obligation.

Buru has entered into an escrow agreement with Alcoa pursuant to which Buru has agreed to hold $20 million plus accrued interest for the benefit of Alcoa as security against the potential obligation to repay the $40 million (Note 9).

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

11. Share Capital

	Ordinary Shares	
	1 Jul 09 – 31 Dec 09	**16 Apr 08 – 31 Dec 08**
	No.	**No.**
On issue at the beginning of the interim period	162,119,728	-
Issued on incorporation - 16 Apr 08	-	1
Issued on demerger from ARC Energy Ltd – 25 Aug 08	-	162,119,727
Issued on acquisition of subsidiary (Note 7) – 4 Sep 09	18,000,000	-
Issued to Mr Eric Streitberg – 23 Oct 09 (i)	2,650,000	-
On issue at the end of the interim period – fully paid	182,769,728	162,119,728

(i) At the 2009 Annual General Meeting, shareholders approved the issue of 2,650,000 new fully paid ordinary shares and 15,000,000 options to Mr Eric Streitberg in exchange for a total cash payment of $609,500.

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 Company had 55,176,975 listed options on issue at all times during, and at the end, of the interim period. The Company's issued unlisted share options are disclosed at note 12.

12. Share-based Payments

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

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

	Weighted average exercise price	**Number of options**
Outstanding options at 16 Apr 08	-	-
Granted 27 Aug 2008	$0.94	33,900,000
Granted 21 Jan 2009	$0.94	400,000
Granted 21 May 2009	$0.94	300,000
Forfeited during the period	$0.94	(6,000,000)
Exercised during the period	-	-
Outstanding at 30 Jun 2009	$0.94	28,600,000
Cancelled 31 Aug 2009	$0.94	(21,380,000)
Outstanding at 16 Oct 2009 Annual General Meeting (i)	$0.30	7,220,000
Forfeited during the period	$0.30	(1,900,000)
Issued 16 Oct 2009 (ii)	$0.30	15,000,000
Outstanding as at 31 Dec 2009	$0.30	20,320,000
Exercisable as at 31 Dec 2009	$0.30	18,546,667

12. Share-based Payments (Cont'd)

(i) At the 2009 Annual General Meeting shareholders approved the amendment of the terms of all 7,220,000 Director and Employee unlisted options from an exercise price of $0.94 and expiry date of 27 August 2010 to an exercise price of $0.30 and an expiry date of 31 December 2011. As required by AASB 2, the options were revalued on the date that the terms changed, with the increase in value being recognised as a share based payment expense in the income statement. The options were valued using the Black & Scholes model with the following inputs: a share price on grant date of 22 cents, an expected volatility of 76.4%, a risk free interest rate of 4.8% and no expected dividends.

(ii) At the 2009 Annual General Meeting, shareholders approved the issue of 2,650,000 new fully paid ordinary shares and 15,000,000 unlisted options to Mr Eric Streitberg in exchange for a total cash payment of $609,500. 5,000,000 of the options issued to Mr Streitberg are exercisable at 25 cents, 5,000,000 are exercisable at 30 cents, and 5,000,000 are exercisable at 35 cents. In accordance with AASB 2 the difference between the cash paid by Mr Streitberg in consideration for the securities and the notional fair value of the securities (determined in accordance with AASB 2) must be expensed through the income statement where it is recognised as a share based payment. The ordinary shares were valued using the share price of 22 cents as at the grant date of 16 October 2009. The options were valued using the Black & Scholes model with the following inputs: a share price of 22 cents at grant date, an expiry of 31 December 2011, an expected volatility of 76.4%, a risk free interest rate of 4.8% and no expected dividends.

13 Capital and Other Commitments

	Dec 09	Jun 09
Exploration expenditure commitments	**$**	**$**
Contracted but not yet provided for and payable:		
Within one year	19,300,000	31,380,000
One year later and no later than five years	38,000,000	45,270,000
Later than five years	-	7,050,000
	57,300,000	83,700,000

Exploration commitments are reflective of the Group's position after the subsequent event disclosed at note 15 which decreased the Group's commitments by $7.5 million. 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. These obligations may be varied from time to time, subject to approval by the DMP. The commitments also include amounts that the Group has agreed to spend in order to meet its farm-in obligations with joint venture entities which may be varied from time to time subject to the approval of other contracting parties.

14. Contingencies

There were no material contingent liabilities or contingent assets for the Group as at 31 December 2009 or as at the date of the report, other than those disclosed in note 13.

15. Events after balance date

On 15 January 2010, Buru announced that it had entered into agreements with Gulliver Productions Pty Ltd (a wholly owned subsidiary of Empire Oil and Gas NL (ASX: EGO)) and Indigo Oil Pty Ltd in respect of Canning Basin permit EP 438 and Gulliver Productions Pty Ltd, Indigo Oil Pty Ltd and United Orogen Ltd (ASX: UOG) in respect of Canning Basin permit EP 448. These agreements resulted in Buru:

- relinquishing its existing 5% interest in EP 448 together with the associated $3 million farm-in commitment in respect of that block; and
- gaining the right to earn a further 70% interest in EP 438 by spending $3 million on further exploration in that permit, which is expected to include the drilling of one well in the permit during 2010, taking Buru's interest in EP 438 to 75%.

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

16. Related party transactions

Key management personnel receive compensation in the form of wages, short-term employee benefits and post-employment benefits. In addition, AASB 2 requires certain issues of securities to be recognised as share based payments (note 12). Key management personnel received total compensation (excluding share based payments) of $420,937 (31 December 2008: $381,198). An additional $1,543,586 (31 December 2008: $236,666) are recognised as share based payments in accordance with AASB 2, being the notional fair value of the Director & Employee options vested during the period and the difference between the $609,500 cash paid by Mr Eric Streitberg for the issue of securities and the notional fair value of those securities (note 12).

At the 2009 Annual General Meeting, shareholders approved the terms of an employee share acquisition scheme ("Scheme"). Under the Scheme the Company may make loans to employees to enable them to acquire Buru shares on market. Such loans are subject to certain terms and conditions as detailed in the 2009 Notice of Annual General Meeting. Loans made under the Scheme as at 31 December 2009 include loans to key management personnel of $390,000.

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

BURU ENERGY LIMITED
DIRECTORS' DECLARATION

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

(a) the financial statements and notes set out on pages 7 to 17, 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 2009 and of its performance, for the six month period ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001;

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

Signed in accordance with a resolution of the Directors:

Perth, 12 March 2010

Mr Eric Streitberg	Mr Graham Riley
Executive Director	*Chairman*

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

Report on the financial report

We have reviewed the accompanying interim financial report of Buru Energy Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2009, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year period ended on that date, a statement of accounting policies and other explanatory notes 1 to 16 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 period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Interim and Other Financial Reports Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2009 and its performance for the half-year period 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 a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2009 and of its performance for the half-year period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

KPMG

KPMG

Brent Steedman
Partner

Perth

12 March 2010

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

To: the directors of Buru Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2009 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

Brent Steedman
Partner

Perth

12 March 2010

Directors
Mr Graham Riley – Chairman
Mr Eric Streitberg – Executive Director
The Hon Peter Jones – Non-Executive Director

Company Secretary
Mr Tom Streitberg

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