



# 2017 Annual Report

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Dear Shareholder

I am pleased on behalf of your Board to present the Annual Report of the Company for the 2017 year. 2017 was a transformational year for the Company and I am pleased to report that we are now in a position to be able to deliver significant value from our Canning Basin assets if our objectives are achieved as planned.

2017 was a very active year with many different components coming together to allow the Company to move forward on a much sounder footing. Our transformation was also assisted by the recovery in the oil price and the beginnings of a recovery in the investment climate for small resource stocks.

There were a number of corporate transactions and activities that drove this transformation, the most significant of these being the asset swap transaction with our principal joint venture partner, Mitsubishi Corporation. This asset swap resulted in the joint asset portfolio across the Canning Basin being split between the two companies, with Buru concentrating on the oil assets and Mitsubishi concentrating on the gas assets. Mitsubishi has been a supportive and committed joint venture partner through some difficult times and this transaction allowed each company to move forward concentrating on those areas most appropriate to its corporate objectives.

Subsequent to this transaction Buru quickly moved forward with its restart and further development of the Ungani Oilfield. This activity was strongly supported by shareholders, with a rights issue to fund the development of the field being substantially oversubscribed. It was also pleasing to see that the rights issue price of 15 cents a share has since more than doubled.

As part of the re-structuring of the Company, the balance sheet was also strengthened by the re-negotiation of the 30 June 2018 liability to Alcoa which arose from a legacy gas sales and funding agreement. Buru and Mitsubishi also entered into an agreement with the State of Western Australia to terminate the State Agreement for the Canning Basin. This was a mutually agreed outcome between the three parties, and in conjunction with the Mitsubishi Asset Swap Agreement has secured the Company's strategic acreage position in the Canning Basin. Together these transactions have provided the Company with a secure platform to add value to its Canning Basin assets.



*2017 was a very active year with many different components coming together to allow the Company to move forward on a much sounder footing.*

## Chairman's Letter

However, one area of concern was the announcement by the WA Government of yet another inquiry into hydraulic fracture stimulation or fracking. We are confident that this current scientific inquiry will come to the same conclusion as all previous inquiries, that the industry is safe if properly regulated, and we look forward to the outcome.

The corporate transactions also provided the platform for the Company to achieve its operational objectives. The principal of these was the resumption of production from the Ungani Oilfield through an enhanced export route, including an 80,000 barrel export tank in Wyndham.

After the field restart, the two wells in the field were initially produced on free flow and subsequent to the capital raising, electric submersible pumps were installed to ensure production rates could be maintained. The pumps have performed as expected and the export system is working well with three oil liftings from Wyndham by Trafigura, our oil sales partner, since production recommenced.

The major activity at the field during the year was the drilling of two additional production wells, Ungani 4 and Ungani 5. These wells are currently shut in because of the recent anomalously high level of rainfall in the Kimberley, with some two years' worth of rain falling in Broome in the first two months of 2018 causing closure of both the Great Northern Highway and the Ungani access road. The two wells will, however, provide a path to the target output of 3,000 bopd which is planned to be achieved in 2018.

The Company is also preparing for a major exploration drilling program during 2018 with the objective of increasing its oil resources in the Basin and achieving economies of scale in its operations.

The Company cannot achieve its objectives without the support of its staff and shareholders, and their support during 2017 was exceptional, particularly given the previous difficult periods in 2015 and 2016. The Board extends its thanks and gratitude to all our stakeholders.

We have laid the foundation for the continued success of the Company and I look forward to delivering on our next set of objectives in 2018, including increasing and maintaining Ungani production and undertaking a successful oil exploration campaign.



Eric Streitberg



## Corporate Summary

### Current Issued Capital

Fully paid ordinary shares	432,021,333
Options (unlisted – Staff)	4,550,000

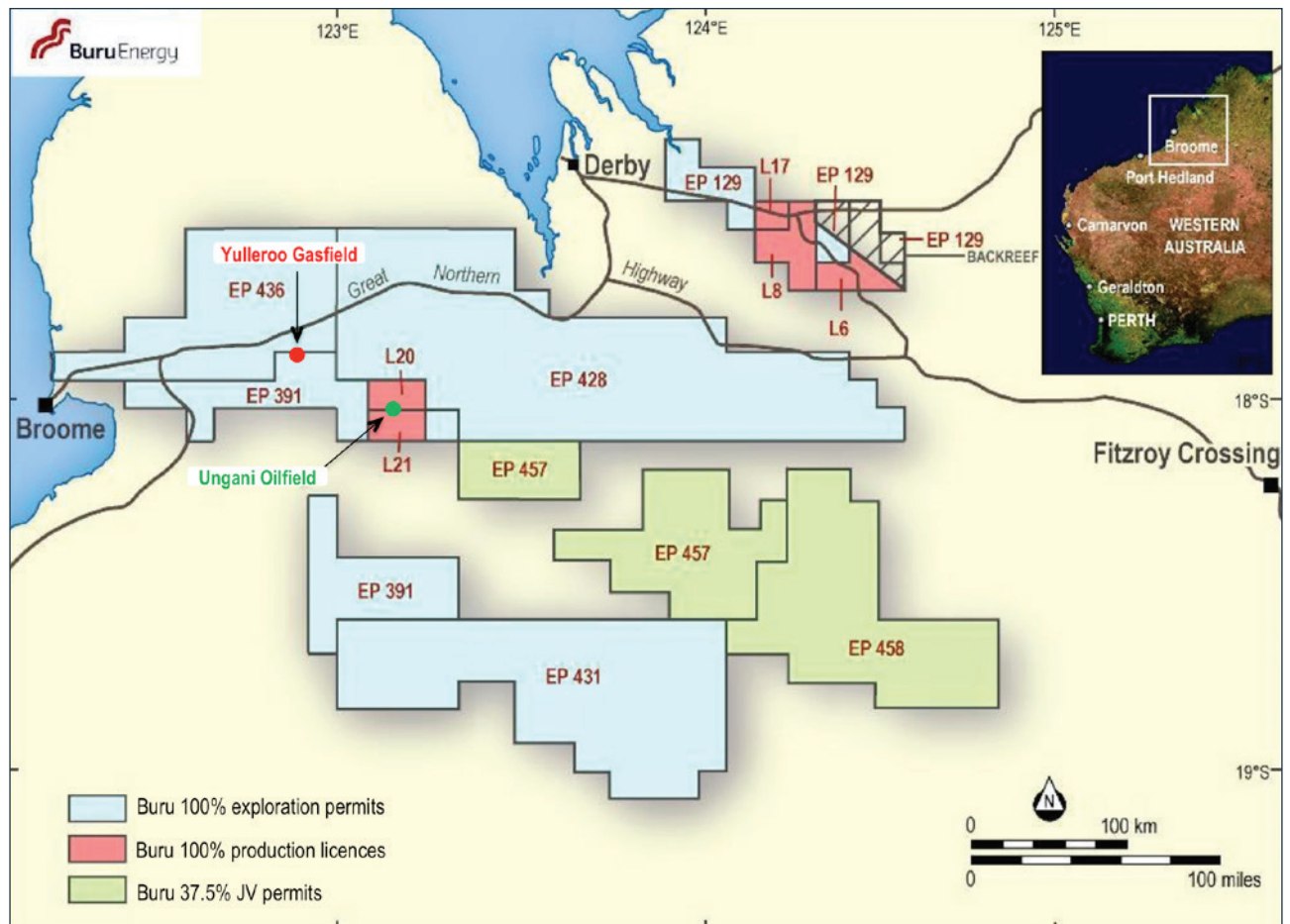
### Trading History

Share price range during 2017	\$0.15 to \$0.33
Liquidity (annual turnover as % of average issued capital)	29.99%
Average number of shares traded per month	~ 9.25 million

## Business Philosophy and Strategy

Buru Energy Limited (ASX: BRU) is a Western Australian oil and gas exploration and production company headquartered in Perth with an operational office in Broome. The Company’s petroleum assets and tenements are located onshore in the Canning Basin in the southwest Kimberley region of

Western Australia. It owns 100% of its flagship high quality conventional Ungani Oilfield project and potentially world class tight gas resources, in addition to significant acreage holdings with world class exploration prospects as shown on the map below.



Location of the Company's Assets

# Business Review

The Company's goal is to deliver material benefits to its shareholders, the State of Western Australia, the Traditional Owners of the areas in which it operates and the Kimberley community, by successfully exploring for and developing the petroleum resources of the Canning Basin in an environmentally and culturally sensitive manner.

The Company's strategy in the short term includes the following:

- Increasing Ungani Oilfield production
- Undertaking an exploration drilling program on the Ungani trend conventional oil prospects
- A continuing focus on costs and on strengthening the balance sheet

## Shareholder Communications

Under its ASX disclosure obligations and generally in regard to shareholder communication, Buru Energy provides shareholders with all relevant and price sensitive information. These communications include regular shareholder updates and the quarterly, half yearly and annual reporting obligations. All this information is made available on the Company's website ([www.buruenergy.com](http://www.buruenergy.com)) which also contains details of the Company's general activities.

This report provides a general summary of these details and also communicates to shareholders the Company's business philosophy, economic and financial condition and future prospects.

## Funding, Commitments and Prospects

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

Formal control over the Company's activities is maintained through a budget and cash flow monitoring process with annual budgets considered in detail and monthly detailed accounts and cash flow projections provided for review by the Board. Based on these cash flow projections, the Company anticipates that it will have sufficient funds to meet its commitments for at least the next 12 months.

## Corporate Governance

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

The full Corporate Governance Statement is included in this Annual Report at pages 66 to 76.

## Corporate Responsibility

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

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

## Business Risk Management

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

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

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

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

Additional matters that are considered under the Company's risk evaluation processes include social and regulatory risk including the various anti fossil fuel campaigns that are both general to the industry and in some cases specific to Buru Energy. There have been no material effects on the Company's operations by these campaigns during the year. In regard to hydraulic fracture stimulation or fraccing, the State Government has introduced a moratorium on this process while a scientific inquiry is undertaken. Buru expects that the inquiry will return a similar finding to the numerous previous inquiries in Australia and internationally, that fraccing is safe if properly regulated, which it is under the current WA regulatory regime.

The Company will be carrying on its current operations including drilling for and producing oil and exploring for conventional oil and gas while the current moratorium on gas fraccing is in place.

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



# Operations Review

## Production and Development – Ungani Oilfield

### *Acquisition of 100% of the Ungani Oilfield and restart of production*

The Ungani Oilfield was discovered in 2011 and is a cornerstone asset of the Company. Oil production from the field commenced in May 2012 under various short term production testing regimes. The field was shut in in January 2016 as a consequence of then low oil prices. On 25 May 2017, Buru Energy acquired the 50% interest in the L20 and L21 Production Licences held by Mitsubishi Corporation giving Buru Energy 100% ownership of the Ungani Oilfield. Full details of the Asset Swap Agreement which implemented this transaction are set out in the Corporate section of this report. Production from the Ungani Oilfield was restarted on 16 June 2017 with oil being produced from the two existing wells. In late 2017, a further two wells were successfully drilled. Production from those wells will commence as soon as they are tied in to the existing Ungani production system which is expected to be the first half of 2018 dependent on weather conditions.

In preparation for the restart of production in June 2017, a number of changes were made to the oil export system and to the field facilities in order to improve safety and reliability, increase capacity and reduce costs. These changes included accessing a larger 80,000 bbl export crude oil storage tank at Wyndham Port bringing significant commercial benefits through access to larger ships. Previously, oil at Wyndham was stored in a smaller 30,000 bbl tank.

A contract for crude transport by truck from the Ungani Oilfield to Wyndham Port was executed with Fuel Trans Australia (FTA) after a rigorous selection process which included analysis and review by a third party independent expert on road transport risk management. The trucking system includes state of the art safety systems as described in the HSE section later in this report. The full system now utilises quad road trains, reducing the number of truck movements.

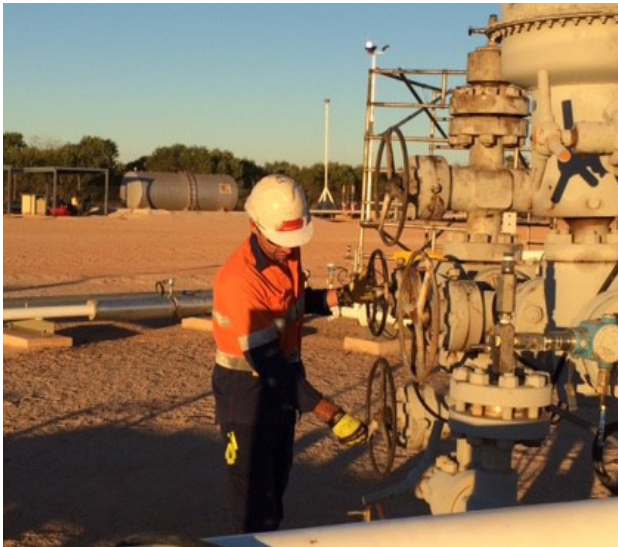


*80,000 bbl and 30,000 bbl tanks at Wyndham*



*Ship loading at Wyndham Port*





*Opening up the Ungani 1ST1 well*

The work at the field undertaken prior to startup included installation of the produced water injection system at the Ungani Far West 1 well to allow re-injection of produced water into the lower water bearing zone of the Ungani Dolomite reservoir in that well, general operational streamlining, the installation of a new load out system that was purchased prior to the 2016 shut in, and an upgrade to the access road. These works were completed on time and under budget with no incidents.

### ***Ungani Development***

Further development of the Ungani Oilfield was undertaken during the year to expand the production facility and increase production capacity. This included the drilling of two new development wells, the expansion of the production facility and the installation of electric submersible pumps (ESPs) in the existing Ungani 1ST1 and Ungani 2 wells, together with their associated surface power and control systems.



*DDGT1 Workover Operations at the Ungani 1ST1 well*



*First oil to surface at Ungani at production restart*

The workover operations to install the ESPs in Ungani 1ST1 and Ungani 2 commenced on 3 October and were completed on 16 October. Both workover operations were completed on time and on budget and included the recovery of the existing completion string and then re-completion of each well with an ESP set at 1,534 metres on an 89 mm (3-1/2 inch) tubing string. Following completion of these operations, the rig was demobilised to the Ungani 4 well location and the two recompleted wells were brought back on production.

The further work at the field during the year to increase production capacity included the installation of two additional 1,250 bbl oil storage tanks and a 600 bbl oil/water segregation tank. Following the completion of this work, the Ungani Production Facility storage capacity was increased from 2,400 bbls of oil to 4,900 bbls of oil and an overall fluid processing capability of up to 8,000 bbls of fluid per day at up to a 90% water cut.



*1,250 bbl storage tank under construction*

## Operations Review



*Ungani Production Facility showing ESP surface equipment and new tank installation*



*DDGT1 Rig at Ungani 4*

The next phase of surface development including the tie ins of the Ungani 4 and Ungani 5 wells commenced in late 2017 and is expected to be completed when access to the site has been regained.

### ***Ungani 4 Development Well***

Following completion of the workover operations, the DDGT1 rig was mobilised to the Ungani 4 well location and commenced drilling operations on 19 October 2017. The well is located some 500 metres to the southwest of Ungani 1ST1 on a separate drilling pad and was designed to provide an additional drainage point in the Ungani Oilfield and to verify reservoir continuity.

The well was drilled to a total depth of 2,249 metres and then suspended while additional equipment was mobilised to deal with the unexpected hole conditions. The rig was then moved to drill the Ungani 5 well and after the successful completion of that well, resumed operations at Ungani 4 and successfully completed the well.



*Ungani Operations Area*

### ***Ungani 5 Appraisal Well***

The DDGT1 rig spudded the Ungani 5 well on 1 December. The well is located some 1,140 metres to the east of Ungani 1 on a separate drilling pad and was a test of the eastern fault block of the Ungani Oilfield initially identified by the Ungani 3 well. Ungani 3 was an oil discovery but later interpreted to have not accessed the more porous section of the reservoir.

The well was drilled to a total measured depth of 2,239 metres. The top of the Ungani Dolomite was encountered as prognosed at 2,122 metres with interpreted similar reservoir quality to the other wells in the field. The overlying Ungani Shale section was a similar thickness to other wells in the field in contrast to its anomalously thin section in Ungani 3. The well was successfully completed with swellable packers for zonal isolation and suspended pending hookup to the production facility.

# Operations Review

## *Field performance and oil sales*

As part of the asset swap transaction with Mitsubishi the marketing rights for Ungani crude oil held by Mitsubishi were terminated. Buru Energy subsequently received a number of commercially attractive proposals for crude oil marketing services, particularly for the larger parcels from the enhanced export system with the larger tank. An offtake agreement was executed with Trafigura Pte Ltd (Singapore) for the sale of the crude oil FOB at Wyndham for an initial period of 12 months.

Production from the Ungani 1ST1 and Ungani 2 production wells recommenced in late June 2017. Initial production from the field included a series of rate and interference tests to quantify reservoir properties prior to full scale production, and to provide base line production data prior to the installation of the downhole pumps. Production from the

Ungani field was temporarily shut in on 28 September 2017 whilst workover operations on both Ungani 1ST1 and Ungani 2 wells were undertaken.

Production recommenced on 22 October 2017 and continued until the field was again shut in on 29 December 2017 when a monsoonal low from Tropical Cyclone Hilda delivered some 260 mm of rain on the Ungani operations area. Although this amount of rain caused only minor interruptions to rig activity it closed the Ungani access road to heavy vehicle traffic including crude oil haulage trucks. Crude trucking operations recommenced on 6 January 2018, when the crude haulage trucks were able to access the road, however, further heavy rain has caused further suspension of operations.



*FTA quad road train with ~880 bbls of Ungani oil bound for Wyndham Port*

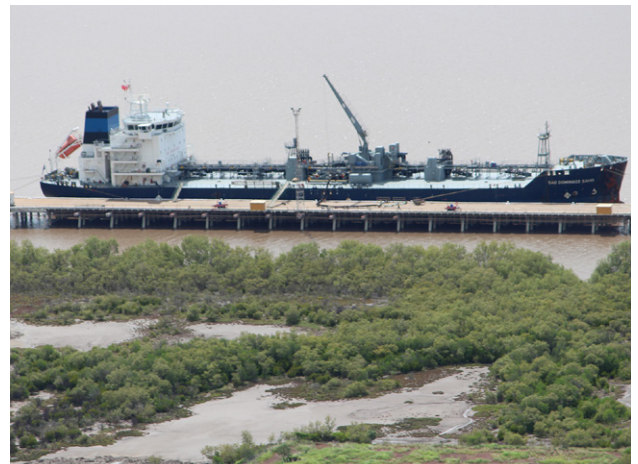


*Truck unloading at Wyndham*

The two existing production wells performed in line with expectations with average production for the days that the wells were online of ~1,233 bopd from the installation of the ESPs to the end of the year. Notwithstanding the interruptions to production, the Ungani Oilfield produced approximately ~172,000 bbls for the period from the restart of production to the end of 2017. During that same period ~115,000 bbls were sold with the remaining crude being held as crude inventories at year end. Revenue from the Ungani Oilfield for the year totalled A\$7.89m (an average of ~A\$68/bbl) with cost of sales of A\$4.22m (A\$37/bbl) giving a gross profit from sales of Ungani crude of \$3.67m (a margin of A\$32/bbl) before amortisation charges.

The crude production is trucked to Wyndham to Storage Tank 10 and sold “FOB at the Wyndham Port” which means that the buyer, Trafigura, is responsible for all shipping related charges to the relevant refinery. Two liftings from Wyndham took place during the year with a third lifting made in January 2018. All liftings took place without incident.

- \* 60,275 bbls were lifted on 4 September 2017 for A\$3.72m at A\$62/bbl by the MT Marlin Ametrine
- \* 54,981 bbls were lifted on 19 November 2017 for A\$4.18m at A\$76/bbl by the MT Marlin Apatite
- \* 53,377 bbls were lifted on 11 January 2018 for A\$4.17m at A\$78/bbl by the Sao Domingos Savio



*Sao Domingos Savio loading at Wyndham*

### ***Traditional Owner Engagement***

The company continues to work cooperatively with the Traditional Owners in the Ungani area through compliance with the relevant agreements. These agreements ensure all Ungani operations are undertaken with respect for the social, cultural and environmental interests of the Traditional Owners. With the restart of oil production from the Ungani Oilfield, Buru engaged a further two Aboriginal staff based in the Kimberley, one as an Ungani Oilfield operator and another in HSE duties. The Company had full retention of its Aboriginal workforce and has also put in place a traineeship program to train further Aboriginal workers as operators at the Ungani Facility. The Company continues to put preference on contracting local Kimberley Aboriginal businesses to provide services and contracting of Aboriginal businesses more than doubled in 2017 compared to 2016.

# Operations Review

## Forward production plan

Following the high intensity rain from Cyclone Hilda, subsequent to the end of the year, Cyclone Joyce and Cyclone Kelvin have brought continued heavy rainfall to the Ungani operations. Broome has had its wettest year on record with more than two years' worth of rain falling on the Kimberley in just the first two months of the year. Consequently, Ungani production has been shut in from 12 January 2018 and production will recommence as soon as the crude haulage trucks are able to gain access to the field.

The wet weather after year end has delayed the commencement of production from Ungani 4 and Ungani 5 which will be undertaken as soon as access to the site has been regained.

Subject to the production results from the Ungani 4 and Ungani 5 wells, the forward plan is to continue to build production and transport capacity to the target rate of 3,000 barrels of oil per day in Q2 2018. Key components of this plan include installation of flowlines for Ungani 4 and Ungani 5 and bringing additional trucks into service to match the increases in production capacity as the wells are connected into the central processing facility.

## Ungani Oilfield Resources

The field has produced a total of some 790,000 bbls during the various production phases from when production first commenced on 31 May 2012. In May 2016, the Company received the Gaffney Cline and Associates (GCA) assessment of the resources of the Ungani Oilfield as set out below in summary. Buru Energy's interest is now 100% of these estimates. These estimates will be reassessed once sufficient production data is obtained from the newly drilled Ungani 4 and 5 wells.

## Ungani Oilfield Contingent Resources (100%WI, MMstb)

	P90	P50	P10
Original in place	8.99	16.13	32.30
Estimated Ultimate Recovery (EUR)	2.70	7.26	19.38
Production until 31 December 2016	0.79	0.79	0.79
	<b>1C</b>	<b>2C</b>	<b>3C</b>
Contingent Resources	1.91	6.47	18.59

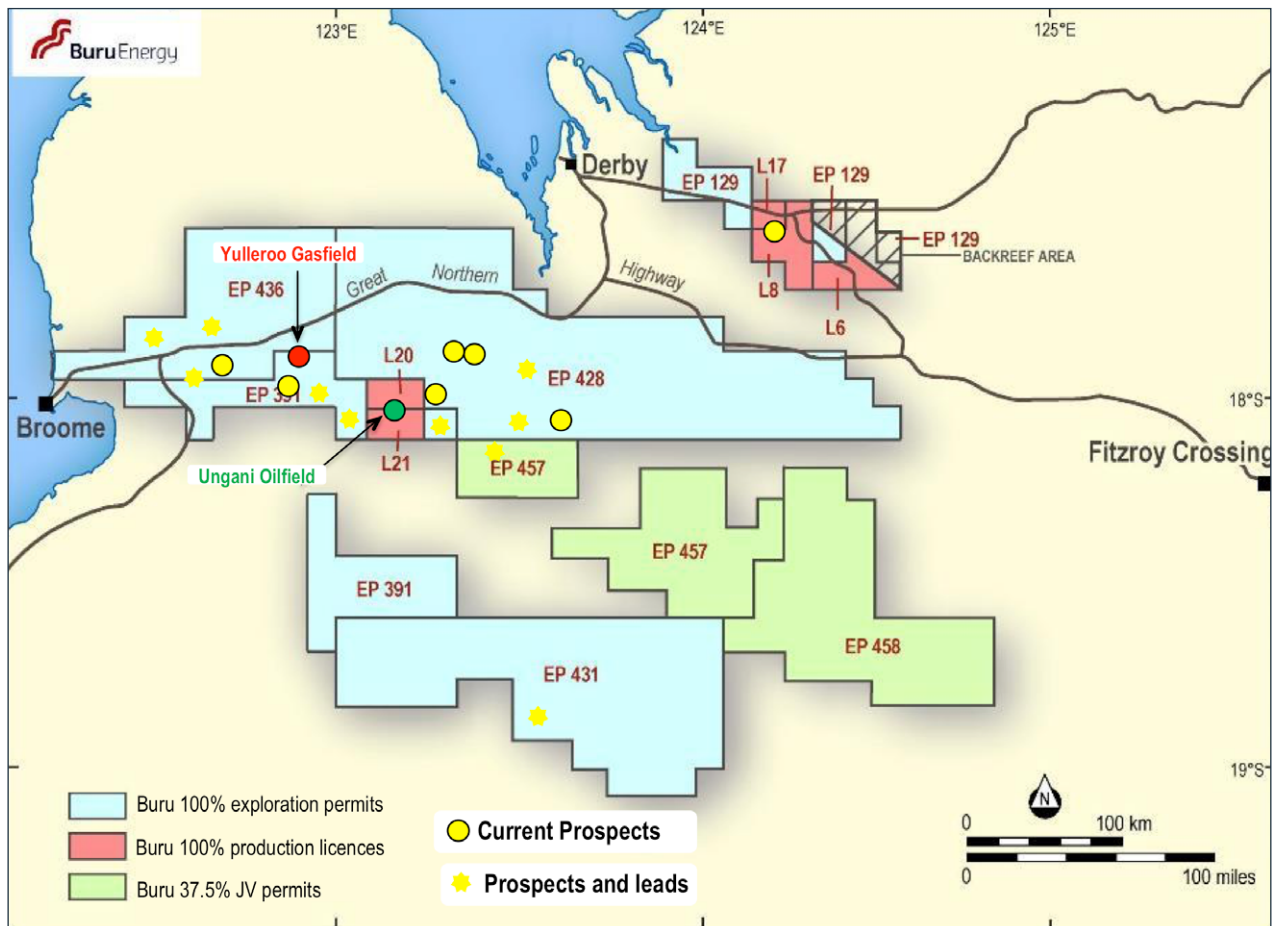
- GCA's assessment of Contingent Resources has been prepared using the probabilistic method and an evaluation date of 30 April 2016.
- Contingent Resources are quantities of petroleum estimates as of a given date to be potentially recoverable from known accumulations by application of development project(s) but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources. GCA assessed the resource as a Contingent Resource as the field was shut in at the time.
- The full resource statement is set out in accordance with ASX Listing Rules in Buru's ASX release of 16 May 2016. Buru Energy is not aware of any new information or data that materially affects the information included in that ASX release, other than Buru acquiring 100% of the resource and subsequent production since that date which has been taken into account above. All other material assumptions and technical parameters underpinning the estimates in that release continue to apply and have not materially changed. The estimates will be updated when a material amount of data has been obtained from Ungani 4 and Ungani 5.

### Production and Development – Blina / Sundown Oilfield

The Blina and Sundown Oilfields remained shut in during the year with maintenance and well inspections continuing together with further rehabilitation operations. Review of the potential for restart of production from this area continued during the year.

### Exploration

The Company's exploration portfolio was enhanced by its assumption of 100% of the Ungani trend permits and associated prospects on 24 May 2017 when Buru and Mitsubishi Corporation (MC) entered into an asset swap agreement as detailed in the Corporate section below. Planning continued during the year for the 2018 drilling program of up to four exploration wells and the Company is currently in the process of considering potential farmin partners for the program. The planned drilling locations for this program include a range of play types from the proven Ungani Dolomite and Reeves discovery to new high potential concepts for both oil and gas.



Map of selected exploration prospects

# Operations Review

## *Independent review of Yulleroo resources*

Subsequent to the end of the year RISC Advisory Pty Ltd (RISC) completed an independent assessment of the tight gas and hydrocarbon liquid resources of the Yulleroo Gas Field within exploration permits EP 391 and EP 436.

RISC has estimated Contingent and Prospective Resource sales gas and associated liquids in the Yulleroo Field as at 1 December 2017 as follows:

<b>Contingent Resources Net to Buru</b>	<b>1C</b>	<b>2C</b>	<b>3C</b>
Sales Gas (PJ)	321.4	714.0	1,267.0
Associated Liquids (MMbbls)	9.5	24.9	47.6
<b>Prospective Resources Net to Buru</b>	<b>Low</b>	<b>Best</b>	<b>High</b>
Sales Gas (PJ)	124.6	302.8	611.0
Associated Liquids (MMbbls)	4.3	11.9	24.8

- RISC's Contingent Resource and Prospective Resource assessment has been prepared using the probabilistic method and an evaluation date of 1 December 2017.
- Contingent Resources are quantities of petroleum estimates as of a given date to be potentially recoverable from known accumulations by application of development project(s) but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources.
- Prospective Resources are estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) that relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.
- The full resource statement is set out in accordance with ASX Listing Rules in Buru's ASX release of 18 January 2018. Buru Energy is not aware of any new information or data that materially affects the information included in the 18 January 2018 release and all material assumptions and technical parameters underpinning the estimates in that release continue to apply and have not materially changed.





These are significant increases on previous estimates and result from a combination of an increase in the Company's interest in the field and the underlying EP 391 and EP 436 permits (from 50% to 100% following the asset swap with Mitsubishi Corporation), and a consideration of the additional data obtained from further drilling in the field along with the results of the further unconventional appraisal activity of the Laurel Formation undertaken in the Canning Basin.

To convert the identified Contingent Resources and Prospective Resources to Reserves will require additional data to be acquired, and drilling to be carried out, including vertical and horizontal wells, together with extended production tests to determine commerciality. 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.

The forward plan for the Yulleroo Field is currently on hold due to the WA Government fracking moratorium. Development of this resource would bring substantial benefits to the Traditional Owners of the area and the State of Western Australia, together with local customers and the Kimberley generally.

## Health, Safety and Environment

As an onshore petroleum operator in Western Australia, Buru Energy is primarily regulated by the Department of Mines, Industry, Resources and Safety (DMIRS) under the Petroleum and Geothermal Energy Resources Act 1967 (PGER Act), Petroleum Pipelines Act 1969 and associated regulations. Buru is also regulated by the Department of Water and Environmental Regulation (DWER) under the Rights and Water and Irrigation Act 1914 and the Environmental Protection Act 1986.

Health, safety and environmental approvals are required to be in place prior to undertaking petroleum activities. During all activities, the Company implements an internal environmental audit process to identify opportunities for improvement and measurement of HSE performance. Regular external audits and inspections are also undertaken by regulatory agencies to measure compliance against HSE approvals. During 2017, Buru Energy was not aware of any material, non-compliance in relation to health, safety or environmental legislation.

This focus on internal audits and continuous improvement has led to continuing improvement in the Company's HSE performance in recent years. Buru had zero reportable health and safety incidents in 2017 and environmental performance also continues to improve. Environmental performance is measured against 'environmental performance objectives' which are set under the PGER (Environment) Regulations 2012. Over the last five years, The Company has had year-on-year improvement in compliance against environmental performance objectives with no environmental performance objectives requiring action in 2016 or 2017.

Transport of crude oil between Ungani Oilfield and Wyndham Port is one of the Company's key HSE risks. Prior to the restart of the Ungani Oilfield in June 2017, a rigorous contractor selection process was undertaken with an emphasis on HSE management. This included analysis and advice from Barbaro Group, an independent expert on land transport risk management, to ensure transport risks were reduced to as low as reasonably practicable for the route. Following this process, Fuel Trans Australia (FTA) were selected and engaged as the trucking contractor for crude transport between Ungani Oilfield and Wyndham Port. Trucking risk management includes use of local and experienced drivers, minimal night time driving, identification and geo-fencing of potential high-risk sections of road, in-cabin monitoring and external monitoring of driving parameters and truck position. Since restart of production from the Ungani Oilfield in June 2017 there have been no material HSE incidents relating to crude trucking.

## Corporate

### *Asset Swap Agreement*

On 25 May 2017 Buru Energy entered into a transaction with its joint venture partners Diamond Resources (Fitzroy) Pty Ltd (DRF) and Diamond Resources (Canning) Pty Ltd (DRC) (which are both wholly owned subsidiaries of Mitsubishi Corporation), on its exploration and production assets in the Canning Basin in the northwest of Western Australia. The agreement had the following effect:

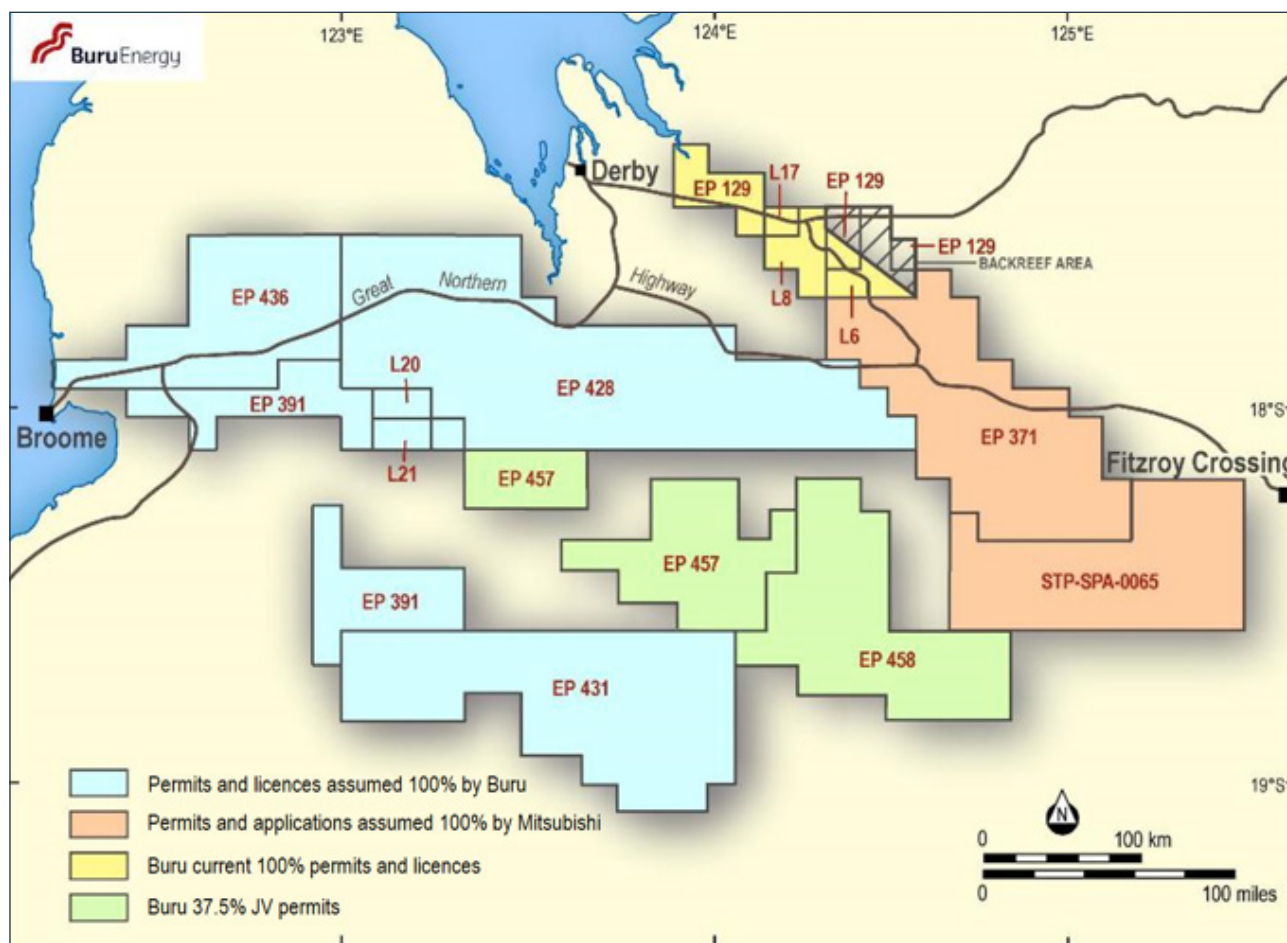
- DRF agreed to transfer to Buru Energy its 50% interest in the Ungani Oilfield Production Licences (L 20 and L 21) and its 50% interest in exploration permits EP 391, EP 431 and EP 436.
- DRC agreed to transfer to Buru Energy its 50% interest in exploration permit EP 428.
- Buru Energy agreed to transfer to DRF, its 50% interest in EP 371 and its 50% interest in the application for special prospecting authority STP-SPA-0065 and STP-AAA-0031.
- DRF and DRC also agreed that Buru Energy will provide services in relation to EP 371, including community engagement and liaison.

# Operations Review

As part of the transaction the parties agreed to terminate the Ungani Development Funding Agreement (UDFA). On termination of the UDFA, DRF paid its share of the costs for restarting the Ungani Oilfield (\$1.5 million) as part of the remaining first tranche of funding under the UDFA. The asset swap is summarised below:

The applications to approve and register the instruments of transfer were lodged with the then Department of Mines and Petroleum, now DMIRS on 16 June 2017. DMIRS approved the abovementioned instruments of transfer and registered the transfers on 8 January 2018.

Title	Holder before transaction	Type	Holder after transaction
EP 371	Buru and DRC each 50%	Exploration	DRC and DRF each 50%
EP 391	Buru and DRF each 50%	Exploration	Buru 100%
EP 428	Buru and DRC each 50%	Exploration	Buru 100%
EP 431	Buru and DRF each 50%	Exploration	Buru 100%
EP 436	Buru and DRF each 50%	Exploration	Buru 100%
L 20	Buru and DRF each 50%	Production	Buru 100%
L 21	Buru and DRF each 50%	Production	Buru 100%
SPA0065	Buru and DRC each 50%	Application	DRC and DRF each 50% (of any permit grant)



Map of transaction permits

## ***Balance sheet restructured with variation of Alcoa repayments***

As at 30 June 2017, Buru Energy's then \$12.5 million loan repayment to Alcoa of Australia Limited (Alcoa) was due in full on 30 June 2018. On 5 July 2017 Buru Energy announced it had entered into an agreement with Alcoa to vary the repayment terms under which payments are now being made in the tranches set out below:

- \$5.0 million was paid on 14 July 2017
- \$2.5 million to be paid on or before 31 December 2018
- \$2.5 million to be paid on or before 31 December 2019
- \$2.5 million to be paid on or before 31 December 2020

The remaining \$7.5 million loan continues to be unsecured and from 1 January 2018 is now subject to an interest rate of 5% on the outstanding balances, payable annually in arrears. The \$2.5 million annual tranches are further subject to an accelerated capital repayment mechanism based on Buru Energy's gross revenue from Ungani oil sales exceeding an agreed base level. This aligns the amortisation of the remaining Alcoa loan to the future oil revenue profile of the Ungani Oilfield and provides more funding flexibility for repayment of this debt from surplus cash flow.

## ***Rights Issue to Fund Accelerated Development of Ungani Oilfield***

On 31 July 2017, Buru announced a 1 for 5 non-renounceable entitlement offer (Rights Issue) to raise up to \$10.2 million to accelerate the development of the Ungani Oilfield. The Rights Issue offered the opportunity to acquire shares in the Company at an issue price of \$0.15 per share, an approximate 22% discount to the then 15-day VWAP on ASX of ~\$0.19. Further details of the Rights Issue were set out in the Prospectus lodged with ASIC and ASX on 1 August 2017.

On 6 September 2017, Buru advised that the Rights Issue had closed with applications of some \$14.5 million for entitlement and shortfall shares received from eligible shareholders, significantly exceeding the \$10.2 million full subscription amount under the Rights Issue.

Rather than undertaking a wholesale pro-rata scale back in respect of shareholders who applied for shortfall shares to reduce the total subscription amount to \$10.2 million, the Board decided to make an additional placement of shares in respect of approximately \$3.6 million of the excess funds. The top-up share placement was made only to existing Buru shareholders who submitted shortfall applications and who qualified as sophisticated and professional investors and was made pursuant to the Company's ASX Listing Rule 7.1 placement capacity ("Top-up Placement").

The total capital raised by Buru under the Rights Issue and Top-up Placement was approximately \$13.8 million (before costs) and upon share allotment the Company's issued capital increased to 432 million shares.

## ***WA Government inquiry into hydraulic fracturing***

In September 2017, the WA Government announced a moratorium on hydraulic fracturing (fracking) in Western Australia, pending the outcome of an independent scientific inquiry. Buru Energy notes that this latest inquiry came less than two years after the completion of a comprehensive inquiry into fracking carried out by the WA Parliament from 2013 to 2015. That parliamentary inquiry spent more than two years gathering evidence, examining research and engaging with the community through public hearings and submissions. The final report tabled in November 2015 concluded that hydraulic fracturing posed negligible risk if properly regulated.

Buru Energy is confident that this current scientific inquiry will come to the same conclusion as all previous inquiries, that the industry is safe if properly regulated. Any extended moratorium on unconventional gas activity in Western Australia will prevent people in regional areas enjoying the benefits of a gas industry that include opportunities for employment and generation of investment and the provision of energy security. The industry also has the potential to provide economic empowerment to Traditional Owners in remote areas, which was the case when a successful frac program was completed on Noonkanbah Station in 2015 by the then joint venture partners, Buru Energy and Mitsubishi Corporation, with the full support and involvement of the Traditional Owners and members of the Noonkanbah community.

## ***Termination of State Agreement for Canning Basin***

In November 2017, Buru Energy entered into an agreement with Mitsubishi Corporation and the State of Western Australia to mutually terminate the State Agreement for the Canning Basin. The State Agreement was originally executed in November 2012 by the State of Western Australia, Buru Energy, Mitsubishi Corporation and two of its subsidiaries, and was subsequently ratified by the Natural Gas (Canning Basin Joint Venture) Agreement Act 2013 (WA) and varied by agreement of the parties dated 1 July 2015. The State Agreement covered exploration permits EP 371, 391, 428, 431 and 436 (Permits).

# Operations Review

The termination agreement will come into operation once it has been ratified by an Act of the Parliament of Western Australia which is expected to occur in 2018. This process has commenced in the Legislative Assembly of the Parliament of Western Australia. Once the termination of the State Agreement is ratified by Parliament, the Permits will remain valid in their current form with no relinquishments required, and with no additional work commitments to those already in place, until 30 July 2023 for EP 371, EP428, EP431 and EP 436, and until 31 January 2024 for EP 391.

The termination of the agreement has no effect on Buru's current operations or in relation to any of the Company's activities, apart from fracking. The Company will be carrying on its current operations including drilling for and producing oil and exploring for conventional oil and gas while the current moratorium on fracking is in place.



The Directors present their report together with the consolidated financial statements of the Group comprising Buru Energy Limited ("Buru Energy" or "Group") and its subsidiaries for the year ended 31 December 2017, and the auditor's report thereon. The remuneration report for the year ended 31 December 2017 on pages 25 to 28 forms part of the Directors' report.

## Directors

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

Name, qualifications and independence status	Experience, special responsibilities and other directorships
<b>Mr Eric Streitberg, BSc (App Geoph)</b> Executive Chairman	<p>Mr Streitberg has more than 40 years of experience in petroleum geology and geophysics, oil and gas exploration and oil and gas company management. He was a founding shareholder and held the position of Managing Director of ARC Energy Limited from 1997 until August 2008, during which time ARC Energy Limited was transformed from a junior oil and gas exploration company into a mid-size Australian oil and gas producer. He was a founding Non-executive Director of Adelphi Energy Limited from 2005 until its takeover in 2010 by AWE Limited. He was also the founding shareholder and Managing Director of Discovery Petroleum which was a key participant in the renaissance of the Perth Basin as a significant gas producer until the takeover of that company in 1996. Prior to that he held various senior international exploration roles with Occidental Petroleum and BP.</p> <p>He is a Fellow of the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors, a member of the Society of Exploration Geophysicists, Petroleum Exploration Society of Australia and the American Association of Petroleum Geologists.</p> <p>Mr Streitberg is a Director and past Chair of the Australian Petroleum Production and Exploration Association and has also chaired the APPEA Exploration and Environment Committees. He is a past Chair of the Marine Parks and Reserves Authority of Western Australia.</p> <p>Mr Streitberg is a Certified Petroleum Geologist and Geophysicist and holds a Bachelor of Science (App. Geoph.) from the University of Queensland.</p> <p>Mr Streitberg has been a Director since October 2008 and has been the Executive Chairman since May 2014, he is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee.</p>

# Directors' Report

For the year ended 31 December 2017

## Name, qualifications and independence status

## Experience, special responsibilities and other directorships

### Ms Eve Howell

Independent Non-executive Director

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

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

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

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

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

### Mr Robert Willes

Independent Non-executive Director

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

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

## Company Secretary

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

## Board and Committee Meetings

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

Meeting	Board Meetings		Audit & Risk Committee Meetings		Remuneration & Nomination Committee Meetings	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Eric Streitberg	15	15	4	4	3	3
Eve Howell	15	15	4	4	3	3
Robert Willes	15	15	4	4	3	3

## Principal Activities

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

## Operations Review

The Operations Review for the year ended 31 December 2017 is set out on pages 6 to 18 and forms part of this Directors' Report.

## Operating Results

The consolidated loss of the Group after providing for income tax for the year ended 31 December 2017 was \$6,205,000 (31 December 2016: \$33,982,000).

## Financial Position

The net assets of the Group totalled \$64,090,000 as at 31 December 2017 (31 December 2016: \$56,216,000).

## Dividends

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

## Significant Changes in the State of Affairs

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

## After Balance Date Events

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

# Directors' Report

For the year ended 31 December 2017

## Likely Developments

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

## Environmental Regulations

Buru Energy is subject to environmental regulation under relevant Australian and Western Australian legislation in relation to its oil and gas exploration and production activities. DMIRS is the primary regulator in Western Australia for petroleum activities though the Group's activities are also regulated by DWER. The Directors actively monitor compliance with these regulations. As at the date of this report, the Directors are not aware of any material breaches in respect of the regulations.

## Directors' Interests

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

Directors	Ordinary Shares	Unlisted Options
Eric Streitberg	29,747,406	–
Eve Howell	294,000	–
Robert Willes	132,000	–
<b>Total</b>	<b>30,173,406</b>	<b>–</b>

## Share Options

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

Date of Expiry	Exercise Price	Number of shares under Option
31 December 2019	\$0.31	4,550,000

All unissued shares are ordinary shares in the Company. All options expire on the earlier of their expiry date or within 30 days from termination of the employee's employment. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate. Further details about options granted to senior executives during the financial year are included in the Remuneration Report on pages 25 to 28. No options have been granted since the end of the reporting period. During or since the end of the reporting period, no shares were issued on the exercise of options previously granted as remuneration.

## Share Appreciation Rights

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

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

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

No SARs were granted to Directors or senior executives during the financial year as set out in the Remuneration Report on pages 25 to 28.



## Indemnification and Insurance of Officers

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

During the year, the Company has paid insurance premiums of \$79,860 (2016: \$47,619) in respect of Directors' and officers' liability. The premiums cover current and former Directors and officers, including senior executives of the Company and Directors and secretaries of its controlled entities. The insurance premiums relate to:

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

## Proceedings on Behalf of Company

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

## Non-audit Services

During the period, the Company's auditor did not perform any other services in addition to their statutory full year audit, half year review, joint venture audits and a taxation audit. During the year ended 31 December 2017, the amount paid or payable to the Group's auditor (KPMG Australia) for statutory and other audit and review services totalled to \$96,000 (31 December 2016: \$80,250)

# Directors' Report

For the year ended 31 December 2017

## Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 29 and forms part of the Directors' Report for the year ended 31 December 2017.

## Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the Consolidated Financial Statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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



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Mr Eric Streitberg  
Executive Chairman  
Perth  
14 March 2018

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Mr Robert Willes  
Non-executive Director  
Perth  
14 March 2018

## Principles of remuneration - Audited

The Directors present their Remuneration Report for Buru Energy for the year ended 31 December 2017. This remuneration report outlines the remuneration arrangements of the Company's Directors and other key management personnel (KMP) in accordance with the requirements of the *Corporations Act 2001* and its Regulations. In accordance with section 308(3C) of the *Corporations Act 2001*, the Remuneration Report has been audited and forms part of the Directors' Report.

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

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

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

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

### Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds. Remuneration levels are reviewed annually by the Remuneration and Nomination Committee through a process that considers individual, segment and overall performance of the Group. In addition, external consultants may provide analysis and advice to ensure the Directors, executive and senior management remuneration is competitive in the market place. Remuneration is also reviewed on promotion.

### Performance linked remuneration

Performance linked remuneration includes both short term and long term incentives, and is designed to reward KMP for meeting or exceeding the Company's expectations and agreed objectives. Any short term incentive (STI) is an 'at risk' bonus provided in the form of cash, while any long term incentive (LTI) is provided under the Employee Share Option Plan (ESOP) to KMP. The LTIs are structured to ensure that incentives are appropriately aligned to sustainable shareholder value creation.

### Short term incentive bonuses

The payments of bonuses are linked to the fulfilment of key performance indicators (KPIs). The KPIs are designed to promote shareholder value creation and include financial and non-financial measures. The individual's reward under the STI bonus scheme is directly aligned to the creation of shareholder value through the achievement of the Company's strategic and performance goals. All STI bonuses are subject to Board approval. The financial and non-financial measures vary with position and responsibility and include measures such as achieving operational outcomes and ensuring high levels of safety and environmental performance.

There were no STI bonuses paid during 2017.

### Long-term incentive bonuses

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

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

# Remuneration Report - Audited

*For the year ended 31 December 2017*

## **Consequences of performance on shareholder wealth**

The Board considers that the most effective way to increase shareholder wealth is through the successful exploration and development of the Group's oil and gas exploration permits. The Board considers that the Group's LTI schemes incentivise KMP to successfully explore the Group's oil and gas permits by providing rewards, over the short and long term that are directly correlated to delivering value to shareholders through share price appreciation. The Company's relative share price performance is the primary measure when the Board considers the effectiveness of STI and LTI remuneration consequences on shareholder wealth.

## **Service contracts**

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

Service contracts with all other current non-Director KMP are unlimited in term but capable of termination on three months' notice by either party, or by payment in lieu thereof at the discretion of the Company.

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

## **Services from remuneration consultants**

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

## **Non-executive Directors**

Total fixed remuneration for all Non-executive Directors, last voted upon by shareholders at the 2012 Annual General Meeting, is not to exceed \$600,000 per annum. The Non-executive Directors' base fee is \$94,000 plus statutory superannuation per annum. The Chairman's base fee is ordinarily \$150,000 plus statutory superannuation per annum, however the current Chairman, Mr Streitberg, is not eligible for this remuneration as he is not acting in a non-executive capacity. An additional fee of \$7,100 plus statutory superannuation per annum is payable for Non-executive Directors being a member of a Committee and the fee for chairing a Committee is \$14,250 plus statutory superannuation.

# Remuneration Report - Audited

For the year ended 31 December 2017

## Key Management Personnel Remuneration - Audited

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

		Short term				Total	Post –	Other	Termination	Sharebased	Total	s300A(1)(e)(i) proportion of remuneration performance related	s300A(1)(e)(vi) value of share based payments as a proportion of remuneration
		Salary & Fees	Annual leave	STI cash bonus	Non-monetary benefits (A)		employment Superannuation benefits	Long service leave		ESOP (B)			
<b>Non –executive Directors</b>													
Ms E Howell, NED	2017	113,392		–	–	113,392	10,772	–	–	–	124,164	0.00%	0.00%
	2016	113,000		–	–	113,000	10,735	–	–	–	123,735	0.00%	0.00%
Mr R Willes, NED	2017	113,392		–	–	113,392	10,772	–	–	–	124,164	0.00%	0.00%
	2016	113,000		–	–	113,000	10,735	–	–	–	123,735	0.00%	0.00%
<b>Total Non-executive Directors' Remuneration</b>	<b>2017</b>	<b>226,784</b>		<b>–</b>	<b>–</b>	<b>226,784</b>	<b>21,544</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>248,328</b>	<b>0.00%</b>	<b>0.00%</b>
	<b>2016</b>	<b>226,000</b>		<b>–</b>	<b>–</b>	<b>226,000</b>	<b>21,470</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>247,470</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Executive Directors</b>													
Mr E Streitberg, Executive Chairman	2017	610,462	47,692	–	17,935	676,089	58,900	6,678	–	–	741,667	0.00%	0.00%
	2016	605,567	47,692	–	16,792	670,051	58,900	4,296	–	–	733,247	0.00%	0.00%
<b>Total Directors' Remuneration</b>	<b>2017</b>	<b>837,245</b>	<b>47,692</b>	<b>–</b>	<b>17,935</b>	<b>902,872</b>	<b>80,444</b>	<b>6,678</b>	<b>–</b>	<b>–</b>	<b>989,994</b>		
	<b>2016</b>	<b>831,567</b>	<b>47,692</b>	<b>–</b>	<b>16,792</b>	<b>896,051</b>	<b>80,370</b>	<b>4,296</b>	<b>–</b>	<b>–</b>	<b>980,717</b>		
<b>Executives</b>													
Mr N Rohr, General Counsel	2017	368,478	31,000	–	17,265	416,743	38,285	5,596	–	32,966	493,590	6.68%	6.68%
	2016	376,200	30,963	–	15,198	422,362	30,000	3,906	–	49,819	506,086	9.84%	9.84%
Mr S McDermott, Head of Finance & Company Secretary	2017	263,339	21,513	–	10,482	295,334	26,568	10,044	–	32,966	364,912	9.03%	9.03%
	2016	245,850	21,058	–	10,516	277,424	26,006	9,121	–	15,180	327,731	4.63%	4.63%
Mr R Aden, General Manager - Commercial (Ceased employment Feb 2016)	2017	–	–	–	–	–	–	–	–	–	–	–	–
	2016	64,718	–	–	1,180	65,898	21,823	–	165,000	–	252,721	–	–
<b>Total Executive Officer Remuneration</b>	<b>2017</b>	<b>631,817</b>	<b>52,513</b>	<b>–</b>	<b>27,747</b>	<b>712,076</b>	<b>64,853</b>	<b>15,640</b>	<b>–</b>	<b>65,932</b>	<b>858,501</b>		
	<b>2016</b>	<b>686,768</b>	<b>52,021</b>	<b>–</b>	<b>26,894</b>	<b>765,683</b>	<b>77,829</b>	<b>13,027</b>	<b>165,000</b>	<b>64,999</b>	<b>1,086,538</b>		
<b>Total Directors and Executive Officer Remuneration</b>	<b>2017</b>	<b>1,469,061</b>	<b>100,205</b>	<b>–</b>	<b>45,682</b>	<b>1,614,949</b>	<b>145,297</b>	<b>22,318</b>	<b>–</b>	<b>65,932</b>	<b>1,848,495</b>		
	<b>2016</b>	<b>1,518,335</b>	<b>99,713</b>	<b>–</b>	<b>43,686</b>	<b>1,661,735</b>	<b>158,199</b>	<b>17,323</b>	<b>165,000</b>	<b>64,999</b>	<b>2,067,255</b>		

Notes in relation to the table of KMP remuneration

- Non-monetary benefits to KMP relate to the provision of car parking, life insurance and salary continuance insurance.
- The fair value of the options issued under the ESOP in 2017 are calculated at the date of grant using the Black & Scholes option-pricing model and expensed at grant date. The value disclosed is the portion of the fair value of the options recognised in this reporting period.

# Remuneration Report - Audited

For the year ended 31 December 2017

## Loans to Key Management Personnel

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

## Shares held by Key Management Personnel

KMP	Held at 1 Jan 17	Granted as remuneration	Exercise of options	Purchased	Sold	Held at 31 Dec 17
Mr E Streitberg	28,720,566	–	–	1,026,840	–	29,747,406
Ms E Howell	245,000	–	–	49,000	–	294,000
Mr R Willes	–	–	–	132,000	–	132,000
Mr S McDermott	70,000	–	–	30,000	–	100,000

## Analysis of share based payments - ESOP

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

KMP	Held at 1 Jan 17	Granted as remuneration	Exercised	Lapsed / Forfeited	Held at 31 Dec 17	Vested during the year	Vested and exercisable
Mr N Rohr	300,000	300,000	–	(300,000)	300,000	300,000	300,000
Mr S McDermott	300,000	300,000	–	(300,000)	300,000	300,000	300,000

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

## Analysis of share based payments - SARs

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

KMP	Held at 1 Jan 17	Granted as remuneration	Exercised	Lapsed	Held at 31 Dec 17	Vested during the year	Vested and exercisable
Mr N Rohr	221,839	–	–	–	221,839	–	–
Mr S McDermott	67,596	–	–	–	67,596	–	–

During the reporting period, no shares were issued on the exercise of SARs previously granted as remuneration and following the end of year, all SARs lapsed on 3 January 2018.



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

To the Directors of Buru Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 31 December 2017 there have been:

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

A handwritten version of the KPMG logo in blue ink.

KPMG

A handwritten signature in blue ink, appearing to read 'G + H'.

Graham Hogg  
*Partner*  
Perth  
14 March 2018

# Consolidated Statement of Financial Position

As at 31 December 2017

<i>in thousands of AUD</i>	Note	31 December 2017	31 December 2016
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	13a	16,859	21,052
Trade and other receivables	11	1,289	912
Inventories	12	3,018	2,372
<b>Total Current Assets</b>		<b>21,166</b>	<b>24,336</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	4,117	5,254
Exploration and evaluation expenditure	8	6,363	21,962
Oil and gas assets	9	55,646	21,550
Investments	10	40	51
<b>Total Non-Current Assets</b>		<b>66,166</b>	<b>48,817</b>
<b>TOTAL ASSETS</b>		<b>87,332</b>	<b>73,153</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	8,757	630
Loans and borrowings	17	5,250	–
Provisions	18	1,427	1,256
<b>Total Current Liabilities</b>		<b>15,434</b>	<b>1,886</b>
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings	17	2,250	10,989
Provisions	18	5,558	4,062
<b>Total Non-Current Liabilities</b>		<b>7,808</b>	<b>15,051</b>
<b>TOTAL LIABILITIES</b>		<b>23,242</b>	<b>16,937</b>
<b>NET ASSETS</b>		<b>64,090</b>	<b>56,216</b>
<b>EQUITY</b>			
Contributed equity		271,803	258,211
Reserves		1,173	1,213
Accumulated losses		(208,886)	(203,208)
<b>TOTAL EQUITY</b>		<b>64,090</b>	<b>56,216</b>

The notes on pages 34 to 60 are an integral part of these consolidated financial statements



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

<i>in thousands of AUD</i>	Note	31 December 2017	31 December 2016
<b>Continuing operations</b>			
Revenue	2	7,893	219
Cost of sales		(4,224)	(1,446)
Amortisation of oil and gas assets	9	(4,219)	(2,788)
<b>Gross loss</b>		<b>(550)</b>	<b>(4,015)</b>
Other income	3	455	80
Gain on acquisition of oil and gas assets	27	4,331	–
Exploration and evaluation expenditure		(2,353)	(3,308)
Impairment of exploration expenditure	8	–	(21,327)
Impairment of inventories	12	(207)	(464)
Impairment of financial assets		–	(224)
Corporate and administrative expenditure	4	(6,286)	(5,842)
Share based payment expenses	19	(499)	–
<b>Operating loss</b>		<b>(5,109)</b>	<b>(35,100)</b>
<b>Net finance costs</b>	5	<b>(1,096)</b>	<b>(1,221)</b>
<b>Loss before tax</b>		<b>(6,205)</b>	<b>(36,321)</b>
Income tax expense	6	–	–
<b>Loss from continuing operations</b>		<b>(6,205)</b>	<b>(36,321)</b>
<b>Discontinued operations</b>			
Profit / (loss) from discontinued operation, net of tax (Yakka Munga Pastoral Lease)		–	2,339
<b>Net loss</b>		<b>(6,205)</b>	<b>(33,982)</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Change in fair value of available-for-sale financial assets net of tax		(12)	171
<b>Other comprehensive income / (loss) for the period, net of income tax</b>		<b>(12)</b>	<b>171</b>
<b>Total comprehensive loss for the period</b>		<b>(6,217)</b>	<b>(33,811)</b>
<b>Loss per share and diluted loss per share (cents)</b>	15	<b>(1.69)</b>	<b>(9.99)</b>
<b>Loss per share and diluted loss per share for continuing operations (cents)</b>		<b>(1.69)</b>	<b>(10.68)</b>

The notes on pages 34 to 60 are an integral part of these consolidated financial statements

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

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

	Share capital	Share based payment reserve	Financial asset revaluation reserve	Retained losses	Total equity
<i>in thousands of AUD</i>	\$	\$	\$	\$	\$
<b>Balance as at 1 January 2017</b>	258,211	1,213	–	(203,208)	56,216
<b>Comprehensive income for the period</b>					
Loss for the period	–	–	–	(6,205)	(6,205)
Net change in fair value of available-for-sale financial assets	–	–	(12)	–	(12)
<b>Total comprehensive loss for the period</b>	–	–	(12)	(6,205)	(6,217)
<b>Transactions with owners recorded directly in equity</b>					
Issue of ordinary shares, net of transaction costs	13,592	–	–	–	13,592
Share based payment transactions	–	499	–	–	499
Share options / share appreciation rights forfeited	–	(527)	–	527	–
<b>Total transactions with owners recorded directly in equity</b>	13,592	(28)	–	527	14,091
<b>Balance as at 31 December 2017</b>	271,803	1,185	(12)	(208,886)	64,090

The notes on pages 34 to 60 are an integral part of these consolidated financial statements

# Consolidated Statement of Cash Flows

For the year ended 31 December 2017

<i>in thousands of AUD</i>	31 December 2017	31 December 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from sales of crude oil	7,893	744
Cash receipts from other income	455	80
Payments to suppliers and employees	(10,200)	(6,543)
Payments for exploration and evaluation	(2,458)	(5,065)
<b>Net cash outflow from operating activities</b>	<b>13b</b> (4,310)	<b>(10,784)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	423	842
Payments for purchase of plant and equipment	(75)	(99)
Payments for exploration and evaluation	(142)	(5,354)
Research and development tax concession received	–	5,814
Payments for oil and gas development	(10,192)	(386)
Joint Venture partner's final contribution towards Ungani Development	1,500	–
Disposal of discontinued operation (Yakka Munga Pastoral Lease)	–	9,654
<b>Net cash inflow / (outflow) from investing activities</b>	<b>(8,486)</b>	<b>10,471</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital (net of transaction costs)	13,592	–
Repayment of loan	(5,000)	(12,500)
<b>Net cash inflow / (outflow) from financing activities</b>	<b>8,592</b>	<b>(12,500)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,204)</b>	<b>(12,813)</b>
Cash and cash equivalents at the beginning of the period	21,052	33,897
Effect of exchange rate changes on cash and cash equivalents	11	(32)
<b>Cash and cash equivalents at end of the period</b>	<b>13a</b> 16,859	<b>21,052</b>

The notes on pages 34 to 60 are an integral part of these consolidated financial statements

# Notes to the Financial Statements

For the year ended 31 December 2017

## Basis of Preparation

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, 16 Ord Street, West Perth, Western Australia. The consolidated financial statements of the Company as at, and for the year ended 31 December 2017 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.

This section sets out the basis upon which the Group's financial statements are prepared as a whole. Significant accounting policies and key judgements and estimates of the Group that summarise the measurement basis used and assist in understanding the financial statements are described in the relevant note to the financial statements or are otherwise provided in this section. The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB). The financial statements were approved by the Board of Directors on 14 March 2018. The accounting policies have been applied consistently by Group entities to all periods presented in these consolidated financial statements. The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

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

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

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

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

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

- Note 10 – Investments
- Note 17 – Loans and borrowings; and
- Note 19 – Share-based payment arrangements.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the Consolidated Financial Statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

## Basis of Consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## Functional and Presentation Currency

These consolidated financial statements are presented in Australian dollars, which is each of the Group entities' functional currency. Transactions in foreign currencies are translated to Australian Dollars at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

## Use of Estimates and Judgements

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

- Note 6 – Recognition of tax losses
- Note 8 – Exploration and evaluation expenditure
- Note 9 – Oil and gas assets
- Note 17 – Loans and borrowings
- Note 18 – Provisions
- Note 19 – Measurement of share-based payments

## Discontinued Operations

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

- represents a single major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to 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 represented as if the operation has been discontinued from the start of the comparative year.

## Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

# Notes to the Financial Statements

For the year ended 31 December 2017

## **AASB 15 Revenue from Contracts with Customers – Application date of standard 1 January 2018**

This standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue and AASB 111 Construction Contracts. The new standard is based on the principles that revenue is recognised when control of a good or service transfers to a customer. The implementation of this standard will not have a material impact on the financial statements.

## **AASB 9 Financial Instruments – Application date of standard 1 January 2018**

AASB 9 Financial Instruments includes revised guidance on the classification and measurement of financial instruments, including a new credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from AASB 139. AASB 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group does not expect the implementation of this standard to have a material impact on the financial statements.

## **AASB 16 Leases – Application date of standard 1 January 2019**

This standard AASB 16 Leases will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance lease have been removed. The new standard requires a lessee to recognise assets (the right to use the leased item) and liabilities (obligations to make lease repayments). Short term leases (less than 12 months) and leases of low value assets are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. The Group is currently assessing the impact of the new standard on its financial statements.

## Results for the Year

This section explains the results and performance of the Group including additional information about those individual line items in the financial statements most relevant in the context of the operations of the Group, including accounting policies that are relevant for understanding the items recognised in the financial statements and an analysis of the Group's result for the year by reference to key areas, including operating segments, revenue, expenses, employee costs, taxation and earnings per share.

### 1. Segment Information

An operating segment is a component of Buru Energy that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of Buru Energy's other components. All operating segments' operating results are reviewed regularly by the Group's Executive Chairman, Head of Finance and other executives to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Segment results that are reported to the Executive Chairman and Head of Finance include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and head office expenses. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

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. 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 Oilfield and the currently shut in Blina and Sundown Oilfields.
- Gas: Exploration and appraisal of gas is currently concentrated in the Yulleroo area where gas resources have been identified 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.

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

# Notes to the Financial Statements

For the year ended 31 December 2017

Profit or loss	Oil		Gas		Exploration		Pastoral Lease (Discontinued)		Corporate*		Total	
	Dec 17	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16
<i>in thousands of AUD</i>												
External revenues	7,893	219	-	-	-	-	-	-	-	-	7,893	219
Operating costs	(4,224)	(1,446)	-	-	-	-	-	-	-	-	(4,224)	(1,446)
Amortisation of oil and gas assets	(4,219)	(2,788)	-	-	-	-	-	-	-	-	(4,219)	(2,788)
<b>Gross Loss</b>	<b>(550)</b>	<b>(4,015)</b>	-	-	-	-	-	-	-	-	<b>(550)</b>	<b>(4,015)</b>
Other income	-	-	-	-	-	-	-	-	455	80	455	80
Exploration and evaluation expenditure	-	-	-	-	(2,353)	(3,308)	-	-	-	-	(2,353)	(3,308)
Gain on acquisition of oil and gas assets	4,331	-	-	-	-	-	-	-	-	-	4,331	-
Impairment of exploration and evaluation expenditure	-	-	-	-	-	(21,327)	-	-	-	-	-	(21,327)
Impairment of inventories	-	-	-	-	(207)	(464)	-	-	-	-	(207)	(464)
Impairment of financial assets	-	-	-	-	-	-	-	-	-	(224)	-	(224)
Corporate and administrative expenditure, including depreciation	-	-	-	-	-	-	-	-	(6,286)	(5,842)	(6,286)	(5,842)
Share based payment expenses	-	-	-	-	-	-	-	-	(499)	-	(499)	-
Profit / (loss) from discontinued operation	-	-	-	-	-	-	-	2,339	-	-	-	2,339
<b>EBIT</b>	<b>3,781</b>	<b>(4,015)</b>	-	-	<b>(2,560)</b>	<b>(25,099)</b>	-	<b>2,339</b>	<b>(6,330)</b>	<b>(5,986)</b>	<b>(5,109)</b>	<b>(32,761)</b>
Net finance costs	-	-	-	-	-	-	-	-	(1,096)	(1,221)	(1,096)	(1,221)
<b>Reportable segment profit / (loss) before tax</b>	<b>3,781</b>	<b>(4,015)</b>	-	-	<b>(2,560)</b>	<b>(25,099)</b>	-	<b>2,339</b>	<b>(7,426)</b>	<b>(7,207)</b>	<b>(6,205)</b>	<b>(33,982)</b>

\* Corporate represents reconciliation of reportable segments to IFRS measures

# Notes to the Financial Statements

For the year ended 31 December 2017

Total Assets	Oil		Gas		Exploration		Pastoral Lease (Discontinued)		Corporate*		Total	
	Dec 17	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16
<i>in thousands of AUD</i>												
Current assets	1,359	-	-	-	1,659	2,372	-	-	18,148	21,964	21,166	24,336
Property, plant and equipment	-	-	-	-	-	-	-	-	4,117	5,254	4,117	5,254
Exploration and evaluation assets	-	-	6,363	21,962	-	-	-	-	-	-	6,363	21,962
Oil and gas assets	55,646	21,550	-	-	-	-	-	-	-	-	55,646	21,550
Investments	-	-	-	-	-	-	-	-	40	51	40	51
<b>Total Assets</b>	<b>57,005</b>	<b>21,550</b>	<b>6,363</b>	<b>21,962</b>	<b>1,659</b>	<b>2,372</b>	<b>-</b>	<b>-</b>	<b>22,305</b>	<b>27,269</b>	<b>87,332</b>	<b>73,153</b>
<b>Capital Expenditure</b>	<b>17,917</b>	<b>209</b>	<b>-</b>	<b>-</b>	<b>468</b>	<b>863</b>	<b>-</b>	<b>-</b>	<b>81</b>	<b>106</b>	<b>18,466</b>	<b>1,178</b>
<b>Total Liabilities</b>												
Current liabilities	7,727	-	-	-	1,779	1,489	-	-	5,928	397	15,434	1,886
Loans and borrowings (Non-current)	-	-	-	-	-	-	-	-	2,250	10,989	2,250	10,989
Provisions (Non-current)	2,136	519	-	-	3,321	3,387	-	-	101	156	5,558	4,062
<b>Total Liabilities</b>	<b>9,863</b>	<b>519</b>	<b>-</b>	<b>-</b>	<b>5,100</b>	<b>4,876</b>	<b>-</b>	<b>-</b>	<b>8,279</b>	<b>11,542</b>	<b>23,242</b>	<b>16,937</b>

\* Corporate represents reconciliation of reportable segments to IFRS measures



# Notes to the Financial Statements

For the year ended 31 December 2017

## 2. Revenue

<i>in thousands of AUD</i>	31 December 2017	31 December 2016
Sales of crude oil	7,893	219
	7,893	219

Revenue from the sale of crude oil in the course of ordinary activities is recognised in the income statement at the fair value of the consideration received or receivable. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and the amount of revenue can be estimated reliably.

## 3. Other Income

<i>in thousands of AUD</i>	31 December 2017	31 December 2016
Equipment rental	–	17
Operating services	428	–
Other revenue	27	63
	455	80

## 4. Administrative Expenditure

<i>in thousands of AUD</i>	31 December 2017	31 December 2016
Personnel and associated expenses	3,243	3,062
Office and other administration expenses	3,043	2,780
	6,286	5,842

The above expense excludes share based payments disclosed at note 19.

## 5. Finance Income and Expenses

<i>in thousands of AUD</i>	31 December 2017	31 December 2016
Interest income on bank deposits	404	793
Net foreign exchange gain / (loss)	11	(32)
Interest expense of unwinding of the fair value difference of borrowings (note 17)	(1,511)	(1,982)
Net finance income / (expense) recognised in profit or loss	(1,096)	(1,221)

Finance income comprises interest income on funds invested (including available-for-sale financial assets), the difference between fair value and cash consideration received under interest free loans and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Finance expenses comprise unwinding of the discount on provisions and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

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

# Notes to the Financial Statements

For the year ended 31 December 2017

## 6. Taxation

<i>in thousands of AUD</i>	31 December 2017	31 December 2016
<b>Current income tax</b>		
Current income tax charge	–	–
Adjustments in respect of previous current income tax	–	–
	–	–
<b>Deferred income tax</b>		
Deferred tax recognised on movement in financial asset revaluation reserve	4	(51)
Benefit relating to origination and reversal of temporary differences	–	–
	4	(51)
Total income tax (expense) / benefit reported in equity	4	(51)

### Numerical reconciliation between tax expense and pre-tax accounting profit

Accounting loss before tax	(6,205)	(33,982)
Income tax benefit using the domestic corporation tax rate of 30%	1,861	10,195
Increase in income tax due to:		
– Non-deductible expenses	(161)	(8)
– Temporary differences and tax losses not brought to account as a DTA	(1,700)	(10,187)
Income tax benefit / (expense) on pre-tax loss	–	–

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

### Tax recognised directly in equity

<i>in thousands of AUD</i>	12 months ended 31 December 2017			12 months ended 31 December 2016		
	Before Tax	Tax (Expense)Benefit	Net of tax	Before Tax	Tax (Expense)Benefit	Net of tax
Financial Assets	(13)	4	(9)	171	(51)	120

# Notes to the Financial Statements

For the year ended 31 December 2017

## Unrecognised net deferred tax assets

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

<i>in thousands of AUD</i>	31 December 2017	31 December 2016	Net Movement
<b>Deferred tax assets</b>			
Business related costs	302	377	(75)
Capital loss on bad debts	–	526	(526)
Accruals	15	35	(20)
Provisions	2,095	1,595	500
Development expenditure	3,493	2,227	1,266
Inventories	1,189	1,024	165
Tax losses	41,278	45,903	(4,625)
PRRT	175,409	95,310	80,099
Other	–	3	(3)
	223,781	147,000	76,781
<b>Deferred tax liabilities</b>			
Exploration expenditure	(1,811)	(6,588)	4,777
Property, plant and equipment	(877)	(1,139)	262
Investments in listed entities	(36)	(36)	–
Rehabilitation	(739)	–	(739)
	(3,463)	(7,763)	4,300
<b>Net deferred tax assets not brought to account</b>	<b>220,318</b>	<b>139,237</b>	<b>81,081</b>

Deferred tax is not provided for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, nor differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. In accordance with the group's accounting policies for deferred taxes, a deferred tax asset is recognised for unused tax losses only if it is probable that future taxable profits will be available to utilise those losses. Determination of future taxable profits requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. This includes estimates and judgements about oil and gas prices, reserves, exchange rates, future capital requirements, future operational performance and the timing of estimated cash flows. Changes in these estimates and assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets.

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

# Notes to the Financial Statements

For the year ended 31 December 2017

## **Tax consolidation**

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

## **Tax effect accounting by members of the Consolidated Group**

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. Deferred taxes are allocated to members of the tax consolidated group in accordance with a group allocation approach which is consistent with the principles of AASB 112 Income Taxes. The allocation of taxes under the tax funding agreement are recognised as an increase/decrease in the controlled entities intercompany accounts with the tax consolidated group head entity, Buru Energy. In this regard, Buru Energy has assumed the benefit of tax losses from the member entities. The nature of the tax funding agreement is such that no tax consolidation contributions by or distributions to equity participants are required.

## **Petroleum Resource Rent Tax**

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

## **Goods and Services Tax**

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

# Notes to the Financial Statements

For the year ended 31 December 2017

## 7. Property, Plant and Equipment (PPE)

<i>in thousands of AUD</i>	Pastoral Lease		Office equipment	Fixtures and fittings	Heritage		Total
	Plant and equipment	(Discontinued Operation)			and cultural assets	Intangible Assets	
<b>Cost</b>							
Carrying amount at 1 January 2016	5,567	4,375	1,628	1,799	877	897	15,143
Additions	106	–	–	–	–	–	106
Disposals	(71)	(4,375)	(8)	–	–	–	(4,454)
Balance at 31 December 2016	5,602	–	1,620	1,799	877	897	10,795
Carrying amount at 1 January 2017	5,602	–	1,620	1,799	877	897	10,795
Additions	82	–	3	–	–	–	85
Disposals	(98)	–	(7)	(1,712)	–	–	(1,817)
Balance at 31 December 2017	5,586	–	1,616	87	877	897	9,063
<b>Depreciation</b>							
Carrying amount at 1 January 2016	(1,680)	–	(1,331)	(926)	–	(504)	(4,441)
Depreciation for the period	(454)	–	(229)	(308)	–	(182)	(1,173)
Disposal	65	–	8	–	–	–	73
Balance at 31 December 2016	(2,069)	–	(1,552)	(1,234)	–	(686)	(5,541)
Carrying amount at 1 January 2017	(2,069)	–	(1,552)	(1,234)	–	(686)	(5,541)
Depreciation for the period	(401)	–	(47)	(258)	–	(182)	(888)
Disposal	32	–	7	1,444	–	–	1,483
Balance at 31 December 2017	(2,438)	–	(1,592)	(48)	–	(868)	(4,946)
<b>Carrying amounts</b>							
At 31 December 2016	3,533	–	68	565	877	211	5,254
At 31 December 2017	3,148	–	24	39	877	29	4,117

Items of PPE are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Gains and losses on disposal of an item of PPE are determined by comparing the proceeds from disposal with the carrying amount of PPE and are recognised net in profit or loss. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group, and its cost can be measured reliably. The costs of the day-to-day servicing of PPE are recognised in profit or loss as incurred. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of PPE, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

- plant & equipment 10 – 30 years
- office equipment 3 – 20 years
- fixtures and fittings 6 – 20 years
- intangibles 5 years
- heritage and cultural assets not depreciated

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

# Notes to the Financial Statements

For the year ended 31 December 2017

## 8. Exploration and Evaluation Expenditure Capitalised

<i>in thousands of AUD</i>	31 December 2017	31 December 2016
Carrying amount at beginning of the period	21,962	48,240
Exploration expenditure capitalised	468	863
Disposal of exploration expenditure in Asset Swap (Note 27)	(16,067)	–
Exploration expenditure written off during the period	–	(21,327)
Research and development tax concession	–	(5,814)
Carrying amount at the end of the period	6,363	21,962

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

An area of interest refers to an individual geological area where the presence of oil or a natural gas field is considered favourable or has been proved to exist, and in most cases will comprise an individual prospective oil or gas field. Exploration and evaluation expenditure is recognised in relation to an area of interest when the rights to tenure of the area of interest are current and either:

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

Where an ownership interest in an exploration and evaluation asset is exchanged for another, the transaction is recognised by reference to the carrying value of the original interest. Any cash consideration paid, including transaction costs, is accounted for as an acquisition of exploration and evaluation assets. Any cash consideration received, net of transaction costs, is treated as a recoupment of costs previously capitalised with any excess accounted for as a gain on disposal of non-current assets.

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

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

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made and any resultant impairment loss is recognised in the income statement. When a discovered oil or gas field enters the development phase the accumulated exploration and evaluation expenditure is transferred to oil and gas assets.

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

# Notes to the Financial Statements

For the year ended 31 December 2017

## 9. Oil and Gas Assets

<i>in thousands of AUD</i>	31 December 2017	31 December 2016
Carrying amount at beginning of the period	21,550	24,129
Oil and gas assets acquired in Asset Swap (Note 27)	20,398	–
Development expenditure capitalised	17,917	209
Amortisation expensed	(4,219)	(2,788)
Carrying amount at the end of the period	55,646	21,550

Oil and gas assets are measured at cost less amortisation and impairment losses. The assets useful lives are reviewed, and adjusted if appropriate, at each reporting date. The carrying amount of petroleum assets is reviewed bi-annually. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and included in the profit or loss. Oil and gas assets are amortised over the life of the area according to the rate of depletion of the proved and probable hydrocarbon reserves. Retention of petroleum assets is subject to meeting certain work obligations/ commitments.

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

## 10. Investments

<i>in thousands of AUD</i>	31 December 2017	31 December 2016
Non-Current		
Available-for-sale financial assets	40	51
	40	51

The Group's financial assets comprise of ASX listed shares held in New Standard Energy Limited. These available-for-sale financial assets are categorised as Level 1 within the fair value hierarchy and are measured at fair value based on quoted market prices at the reporting date, without any deduction for transaction costs. There were no transfers between levels during the period.

# Notes to the Financial Statements

For the year ended 31 December 2017

## 11. Trade and Other Receivables

<i>in thousands of AUD</i>	31 December 2017	31 December 2016
Interest receivable	54	72
Joint venture receivables	8	525
Joint venture's share of DMIRS transfer fees	386	–
Prepayments	199	110
GST receivable	476	38
Other receivables	166	167
	1,289	912

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 28.

## 12. Inventories

<i>in thousands of AUD</i>	31 December 2017	31 December 2016
Materials and consumables at net realisable value	1,659	2,372
Petroleum products at cost	1,359	–
	3,018	2,372

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is determined as follows:

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

Materials and consumables are accounted for on a FIFO basis. During the year, the Group tested its materials and consumables inventories for impairment and wrote down inventories to their net realisable value, which resulted in a loss of \$207,000 (2016: \$464,000).



# Notes to the Financial Statements

For the year ended 31 December 2017

## 13. (a) Cash and Cash Equivalents

<i>in thousands of AUD</i>	31 December 2017	31 December 2016
Bank balances	1,291	3,012
Term deposits maturing within 3 months	15,568	18,040
Cash and cash equivalents in the statement of cash flows	16,859	21,052

The Group's exposure to interest rate risk and sensitivity analysis for financial assets is disclosed in note 28.

## (b) Reconciliation of Cash Flows from Operating Activities

<i>in thousands of AUD</i>	Note	31 December 2017	31 December 2016
<b>Cash flows from operating activities</b>			
Loss for the period		(6,205)	(33,982)
Adjustments for:			
Depreciation	7	888	1,173
Impairment losses on exploration expenditure		–	21,327
Amortisation on development expenditure	9	4,219	2,788
Impairment on inventories	12	207	464
Impairment of available-for-sale-financial assets		–	224
Gain on sale of discontinued operation		–	(2,654)
Gain on acquisition of oil and gas assets	27	(4,331)	–
Loss on asset disposal		325	–
Share based payment expenses	19	499	–
Net finance costs	5	1,096	1,221
<b>Operating loss before changes in working capital and provisions</b>		<b>(3,302)</b>	<b>(9,439)</b>
<b>Changes in working capital</b>			
Change in trade and other receivables		(530)	759
Change in trade and other payables		648	(2,032)
Change in inventories		(1,360)	131
Change in provisions		234	(203)
Cash used in operating activities		(1,008)	(1,345)
<b>Net cash outflow from operating activities</b>		<b>(4,310)</b>	<b>(10,784)</b>

# Notes to the Financial Statements

For the year ended 31 December 2017

## 14. Capital and Reserves

### Share capital

	Ordinary Shares 31 December 2017 No.	Ordinary Shares 31 December 2016 No.
On issue at the beginning of the period	339,997,078	339,997,078
Issued under Rights Issue and Top-up Placement	92,024,255	-
On issue at the end of the period – fully paid	432,021,333	339,997,078

During the period, the Company successfully raised a total of \$13.8 million (before fees) under a 1 for 5 non-renounceable entitlement offer (Rights Issue) and an additional top-up share placement (Top-up Placement) to accelerate the development of the Ungani Oilfield.

The Company does not have authorised capital or par value in respect of its issued shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

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

The financial asset revaluation reserve represents the revaluation of the Group's available for sale financial assets.

## 15. Loss Per Share

### Basic loss per share

<i>in thousands of AUD</i>	31 December 2017	31 December 2016
Loss attributable to ordinary shareholders from continuing operations	6,205	36,321
(Profit) / loss from discontinued operation	-	(2,339)
Net loss	6,205	33,982

### Weighted average number of ordinary shares

	31 December 2017 No.	31 December 2016 No.
Issued ordinary shares at beginning of the period	339,997,078	339,997,078
Effect of shares issued	27,985,458	-
Weighted average number of ordinary shares at the end of the period	367,982,536	339,997,078

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

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

# Notes to the Financial Statements

For the year ended 31 December 2017

## 16. Trade and Other Payables

<i>in thousands of AUD</i>	31 December 2017	31 December 2016
Trade payables	3,248	95
Accruals	5,337	380
Other payables	172	155
	8,757	630

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

## 17. Loans and Borrowings

<i>in thousands of AUD</i>	31 December 2017	31 December 2016
Borrowings at beginning of the year	10,989	21,507
Repayment to Alcoa on 22 December 2016	–	(12,500)
Repayment to Alcoa on 14 July 2017	(5,000)	–
Interest expense of unwinding of the fair value difference	1,511	1,982
Loan at the end of the period	7,500	10,989

<i>in thousands of AUD</i>	31 December 2017	31 December 2016
Current	5,250	–
Non-current	2,250	10,989
	7,500	10,989

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

The Group's exposure to currency and liquidity risk related to loans and borrowings is disclosed in note 28.

During 2017, Buru and Alcoa reached an agreement to vary the repayment terms on the \$12.5 million loan to Alcoa of Australia Limited due on 30 June 2018, with the varied payments now being made in the tranches set out below:

- \$5.0 million was paid on 14 July 2017
- \$2.5 million to be paid on or before 31 December 2018
- \$2.5 million to be paid on or before 31 December 2019
- \$2.5 million to be paid on or before 31 December 2020

The debt continues to be unsecured and from 1 January 2018 is subject to an agreed interest rate of 5% on the outstanding balances, payable annually in arrears. The \$2.5 million annual tranches are further subject to an accelerated capital repayment mechanism. The current liability above is based on an estimate of an accelerated capital repayment of \$2.75 million as at 31 December 2018. The actual accelerated capital repayment as at 31 December 2018 will be calculated based on Buru Energy's gross revenue from Ungani oil sales exceeding an agreed base level. Any accelerated capital repayment at 31 December 2018 will reduce the remaining repayments in subsequent years.

# Notes to the Financial Statements

For the year ended 31 December 2017

Prior to 1 January 2018, the borrowings were interest free and unsecured and the fair value of the borrowing was 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 was recognised in the income statement as interest income. 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.

## 18. Provisions

<i>in thousands of AUD</i>	31 December 2017	31 December 2016
<b>Current</b>		
Provision for annual leave	541	397
Provision for long-service leave	137	–
Provision for site restoration	749	859
	1,427	1,256
<b>Non-Current</b>		
Provision for long-service leave	101	156
Provision for site restoration	5,457	3,906
	5,558	4,062

Movements in the site restoration provision

<i>in thousands of AUD</i>	31 December 2017	31 December 2016
Opening balance	4,765	4,765
Provision used during the period	(110)	–
Revaluation of provision during the period	1,551	–
Balance at the end of the period	6,206	4,765

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

The site restoration provision is in respect of the Group's obligation to rectify environmental liabilities relating to exploration and production in the Canning Basin in accordance with the requirements of DWER and DMIRS. The provision is derived from an internal review of the liabilities. Due to the long-term nature of the liability, there is significant uncertainty in estimating the costs that will be incurred at a future date. Changes to estimated future costs are recognised in the statement of financial position by adjusting the rehabilitation asset and liability. The rehabilitation is expected to continue to occur progressively.

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

## 19. Share-based Payments

<i>Fair value expensed in thousands of AUD</i>	31 December 2017	31 December 2016
Employee Share Option Plan expense	499	–
	499	–

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

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

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

The fair value of share 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.

*Employee Share Option Plan (ESOP)*

At the 2015 Annual General Meeting, shareholders reapproved the Company's ESOP for a further three years. Options are issued for no consideration and vest immediately on grant date. All options refer to options over ordinary shares of Buru Energy Limited which are exercisable on a one for one basis. The inputs used in the measurement of the fair values at grant date of the equity settled share based payment plans were as follows:

Number ESOP options granted	Share Price at Grant Date	Exercise Price	Volatility	Expected Dividends	Risk free interest rate	Expiry Date	Fair Value
4,550,000	\$0.22	\$0.31	104%	Nil	2.0%	31 Dec 19	\$0.11

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 2017 (i)	0.79	3,150,000
Granted 3 October 2017	0.31	4,550,000
Forfeited during the period ended 31 December 2017	0.79	(3,150,000)
Outstanding as at 31 December 2017	0.31	4,550,000

- (i) The weighted average exercise price of the unlisted options as at 31 December 2016 was \$0.80. Following the non-renounceable rights issue announced on 1 August 2017, in accordance with ASX Listing Rule 6.22.2, the exercise price was adjusted to \$0.79. Further information is included in the Company's ASX release dated 4 August 2017.

# Notes to the Financial Statements

For the year ended 31 December 2017

The unlisted share options outstanding as at 31 December 2017 have a weighted average exercise price of \$0.31 (Dec 2016: \$0.79), and a weighted average contractual life of 2.0 years (Dec 2016: 1.0 years). All options outstanding fully vested in previous reporting periods.

## 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 2017	1,020,066
Forfeited during the period ended 31 December 2017	–
Outstanding as at 31 December 2017	1,020,066

Subsequent to the end of the year, all SARs lapsed on 3 January 2018.

## 20. Group Entities

Parent entity	Country of incorporation	Ownership interest	Ownership interest
Buru Energy Limited	Australia		
		<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Subsidiaries</b>			
Terratek Drilling Tools Pty Limited	Australia	100%	100%
Royalty Holding Company Pty Limited	Australia	100%	100%
Buru Energy (Acacia) Pty Limited	Australia	100%	100%
Buru Operations Pty Limited	Australia	100%	100%
Yakka Munga Pastoral Company Pty Limited	Australia	100%	100%
Buru Fitzroy Pty Limited	Australia	100%	100%

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

# Notes to the Financial Statements

For the year ended 31 December 2017

## 21. Parent Entity Disclosures

As at, and throughout the year ended 31 December 2017 the parent company of the Group was Buru Energy Limited.

	Company 12 months ended 31 December 2017	Company 12 months ended 31 December 2016
<i>in thousands of AUD</i>		
<b>Result of the parent entity</b>		
Loss for the period	(5,603)	(35,994)
Other comprehensive income / (expense)	(12)	171
Total comprehensive loss for the period	(5,615)	(35,823)
<b>Financial position of the parent entity at year end</b>		
Current assets	21,147	24,336
Total assets	84,583	73,153
Current liabilities	21,690	1,886
Total liabilities	29,630	25,998
<b>Total equity of the parent entity at year end</b>		
Share capital	271,803	258,211
Reserves	1,173	1,213
Accumulated losses	(218,023)	(212,269)
Total equity	54,953	47,155

# Notes to the Financial Statements

For the year ended 31 December 2017

## 22. Joint Operations

A joint arrangement is an arrangement over which two or more parties have joint control. Joint control exists only when decisions about the relevant activities - i.e. those that significantly affect the returns of the arrangement - require the unanimous consent of the parties sharing control of the arrangement. In accordance with AASB 11, the arrangements have been classified as joint operations (whereby the jointly controlling parties have rights to the assets and obligations for the liabilities relating to the arrangement) as opposed to a joint venture because separate vehicles have not been established through which activities are conducted. The Group therefore recognises its assets, liabilities and transactions, including its share of those incurred jointly, in its consolidated financial statements.

The consolidated entity has an interest in the following joint operations as at 31 December 2017 whose principal activities were oil and gas exploration, development and production.

Permit/Joint Operation	December 2017 Beneficial Interest	December 2016 Beneficial Interest	Operator	Country
L20	100.00%	50.00%	Buru Energy Ltd	Australia
L21	100.00%	50.00%	Buru Energy Ltd	Australia
EP 371	0.00%	50.00%	Buru Energy Ltd	Australia
EP 391	100.00%	50.00%	Buru Energy Ltd	Australia
EP 428	100.00%	50.00%	Buru Energy Ltd	Australia
EP 431	100.00%	50.00%	Buru Energy Ltd	Australia
EP 436	100.00%	50.00%	Buru Energy Ltd	Australia
EP 457	37.50%	37.50%	Buru Fitzroy Pty Ltd	Australia
EP 458	37.50%	37.50%	Buru Fitzroy Pty Ltd	Australia

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

<i>in thousands of AUD</i>	31 December 2017	31 December 2016
Income	1	1
Expenditure	(178)	(6,088)
	<b>(177)</b>	<b>(6,087)</b>
<b>Current assets</b>		
Trade and other receivables	-	22
Inventories	-	505
<b>Total current assets</b>	-	<b>527</b>
<b>Non-current assets</b>		
Exploration expenditure	-	21,962
Oil and gas assets	-	21,550
<b>Total non-current assets</b>	-	<b>43,512</b>
<b>Current Liabilities</b>		
Trade and other payables	-	182
<b>Total current Liabilities</b>	-	<b>182</b>
<b>Share of net assets of joint venture operations</b>	-	<b>43,857</b>



## 23. Operating Leases

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

<i>in thousands of AUD</i>	31 December 2017	31 December 2016
Less than one year	1,990	1,136
Between one and five years	3,554	–
	5,544	1,136

Leases in terms of which the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases. The leased assets are not recognised in the Group's statement of financial position. During the year, the Group's corporate lease in the Perth CBD expired and a new lease was executed over a corporate office in West Perth. The Group also continues to lease an office/warehouse facility in Broome. These leases expire in October 2022 and November 2018 respectively. The Group leases a crude oil storage tank at Wyndham Port with an expiry date in June 2020 and also maintains operating leases for vehicles. The total operating lease amount recognised as an expense during the period was \$2,097,000 (31 Dec 2016: \$1,254,000).

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

#### *Determining whether an arrangement contains a lease*

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

## 24. Capital and Other Commitments

<i>in thousands of AUD</i>	31 December 2017	31 December 2016
<b>Exploration expenditure commitments</b>		
<i>Contracted but not yet provided for and payable:</i>		
Within one year	3,188	8,200
One year later and no later than five years	263	3,450
	3,451	11,650

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, Industry Regulation & Safety (DMIRS), and these obligations may be varied from time to time, subject to approval by DMIRS. On 23 November 2017, DMIRS granted exemptions for commitments on EP436 and EP428. The commitments within one year above primarily relate to a well commitment in EP129. Buru has applied to DMIRS for a suspension on this commitment as a result of the fracking moratorium and DMIRS has responded by requesting Buru to lodge a new application for its consideration.

# Notes to the Financial Statements

For the year ended 31 December 2017

## 25. Contingencies

There were no material contingent liabilities or contingent assets for the Group as at 31 December 2017 (31 Dec 2016: nil).

## 26. Related Parties

### *Key management personnel compensation*

The key management personnel compensation comprised:

<i>in AUD</i>	31 December 2017	31 December 2016
Short term employee benefits	1,614,949	1,661,735
Post-employment benefits	145,297	158,199
Termination benefits	–	165,000
Long term employee benefits	10,044	9,121
Share-based payments	65,932	64,999
	1,836,222	2,059,054

### *Individual Directors and executives compensation disclosures*

Information regarding individual Directors and executives compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the Remuneration Report section of the Directors' report on pages 25 to 28.

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

### *Other related party transactions*

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

## 27. Asset Swap

On 25 May 2017 Buru Energy entered into a transaction with its joint venture partners Diamond Resources (Fitzroy) Pty Ltd (DRF) and Diamond Resources (Canning) Pty Ltd (DRC), which are both wholly owned subsidiaries of Mitsubishi Corporation, on its exploration and production assets in the Canning Basin in the northwest of Western Australia.

The agreement had the following effect:

- DRF agreed to transfer to Buru Energy its 50% interest in the Ungani Oilfield Production Licences (L 20 and L 21) and its 50% interest in exploration permits EP 391, EP 431 and EP 436.
- DRC agreed to transfer to Buru Energy its 50% interest in exploration permit EP 428.
- Buru Energy agreed to transfer to DRF, its 50% interest in EP 371 and its 50% interest in the application for special prospecting authority STP-SPA-0065 and STP-AAA-0031.
- DRF and DRC also agreed that Buru Energy will provide services in relation to EP 371, including community engagement and liaison.

The transfer of the title was approved and registered by the Department of Mines, Industry Regulation and Safety on 8 January 2018.

# Notes to the Financial Statements

For the year ended 31 December 2017

As part of the transaction the parties agreed to terminate the Ungani Development Funding Agreement (UDFA). On termination of the UDFA, DRF paid its share of the costs for restarting the Ungani Oilfield (\$1.5 million) as part of the remaining first tranche of funding under the UDFA. The asset swap is summarised below:

Title	Holder before transaction	Type	Holder after transaction
EP 371	Buru and DRC each 50%	Exploration	DRC and DRF each 50%
SPA0065	Buru and DRC each 50%	Application	DRC and DRF each 50% (of any permit grant)
EP 391	Buru and DRF each 50%	Exploration	Buru 100%
EP 428	Buru and DRC each 50%	Exploration	Buru 100%
EP 431	Buru and DRF each 50%	Exploration	Buru 100%
EP 436	Buru and DRF each 50%	Exploration	Buru 100%
L 20	Buru and DRF each 50%	Production	Buru 100%
L 21	Buru and DRF each 50%	Production	Buru 100%

The Company's 50% interest before the Asset Swap in EP 371 had a carrying value of capitalised exploration expenditure of \$16,067,000. Given the 50% interest in EP 371 was consideration for the additional 50% interest acquired in L 20 and L 21 (the Ungani Oilfield) as well as the other exploration permits, this balance was transferred from exploration expenditure to oil and gas assets on the acquisition date of 24 May 2017. The oil and gas assets acquired were fair valued on acquisition (considering also the existing interest in Ungani) at \$20,398,000 resulting in a fair value gain on acquisition of the oil and gas assets of \$4,331,000.

## 28. Financial Risk Management

Financial instruments are initially measured at fair value being the cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

*Held-to-maturity investments:* These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments of the Group are stated at amortised cost using the effective interest rate method.

*Loans and receivables* - non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised costs using the effective interest method.

*Available-for-sale financial assets* - non-derivative financial assets that are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any attributable transaction costs. Unrealised gains or losses arising from changes in fair value are taken directly to equity. When an investment is derecognised, the cumulative gain or loss is reclassified to profit or loss.

*Financial liabilities:* Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

*Impairment:* At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are transferred from the available-for-sale reserve to be recognised in the profit or loss.

### 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.

# Notes to the Financial Statements

For the year ended 31 December 2017

## 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. All Ungani sales are to Trafigura Pte Ltd (Singapore). The Group's exposure to credit risk for Ungani sales is managed through Letters of Credit from first class international banks being obtained prior to each sale of crude FOB Wyndham.

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.

### Exposure to credit risk

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

<i>in thousands of AUD</i>	Note	Carrying amount	
		31 December 2017	31 December 2016
Trade and other receivables (excluding prepayments)	11	1,090	802
Cash and cash equivalents	13a	16,859	21,052
Available-for-sale financial assets	10	40	51
		17,989	21,905

Trade and other receivables include accrued interest receivable from Australian accredited banks of \$54,000 (31 Dec 2016: \$72,000), and tax amounts receivable of \$476,000 (31 Dec 2016: \$38,000) from the Australian Taxation Office (refer to note 11).

### Cash and cash equivalents

The Group held cash and cash equivalents of \$16,859,000 at 31 December 2017 (31 Dec 2016: \$21,052,000) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated at least AA-, based on rating agency Fitch Ratings.

## Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. This is monitored through rolling cash flow forecasts. The Group maintains sufficient cash to safeguard liquidity risk.

The following are contractual maturities of trade and other payables (excluding provisions) and loans and borrowings:

<i>in thousands of AUD</i>	Carrying amount	
	31 December 2017	31 December 2016
Less than 1 year	14,008	630
1 – 5 years	2,250	12,500
	16,258	13,130

The borrowings from Alcoa of Australia Limited are subject to an agreed interest rate of 5% on the outstanding balances commencing 1 January 2018 and payable annually in arrears (Note 17).

# Notes to the Financial Statements

For the year ended 31 December 2017

## Market risk

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

### Currency risk

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

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

<i>in thousands</i>	31 December 2017		31 December 2016	
	AUD	USD	AUD	USD
Cash and cash equivalents	85	66	7	5
Trade receivables	-	-	-	-
Gross balance sheet exposure	85	66	7	5

The average exchange rate from AUD to USD during the period was AUD 1.0000 / USD 0.7669 (Dec 2016: AUD 1.0000 / USD 0.7443). The reporting date spot rate was AUD 1.0000 / USD 0.7800 (Dec 2016: AUD 1.0000 / USD 0.7236).

A 10 percent strengthening of the Australian dollar against the USD over the period would have increased the loss after tax for the financial period by \$718,000 (Dec 2016: increased loss after tax by \$20,000). A 10 percent weakening of the Australian dollar against the USD over the period would have decreased the loss after tax for the financial period by \$877,000 (Dec 2016: decreased loss after tax by \$22,000). This analysis assumes that all other variables remain constant.

### Commodity price risk

The Group is exposed to commodity price fluctuations through the sale of Ungani crude at a fixed differential against the dated Brent crude. The Group does not hedge its commodity price exposure.

The Group had no exposure to commodity price risk at balance date as there was no outstanding trade receivables at balance date. The average Brent Platts price for crude sold over the period was AUD 68/bbl.

A 10 percent strengthening of the dated Brent crude price over the period would have decreased the loss after tax for the financial period by \$877,000. A 10 percent weakening of the dated Brent crude price over the period would have increased the loss after tax for the financial period by \$718,000. This analysis assumes that all other variables remain constant.

### Interest rate risk

At balance date the Group's exposure to market risk for changes in interest rates relate primarily to the Group's short term cash deposits. The interest rate risk is only applicable to interest revenue as the Group does not have any interest-bearing short or long term borrowings other than the loan to Alcoa which has a fixed interest rate. The Group constantly analyses its exposure to interest rates, with consideration given to potential renewal of the terms of existing deposits. Fixed rate instruments are term deposits held for less than 3 months, therefore the fair value approximates the carrying amount.

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

<i>in thousands of AUD</i>	Carrying amount	
	31 December 2017	31 December 2016
<i>Fixed rate instruments</i>		
Cash and cash equivalents with fixed interest	15,568	18,040
Total fixed interest bearing financial assets	15,568	18,040

# Notes to the Financial Statements

For the year ended 31 December 2017

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

<i>in thousands of AUD</i>	Carrying amount	
	31 December 2017	31 December 2016
<i>Variable rate instruments</i>		
Cash and cash equivalents with variable interest	1,291	3,012
Total variable interest bearing financial assets	1,291	3,012

## *Other market price risk*

Equity price risk arises from available-for-sale equity securities held in other listed exploration companies. The Group monitors its available for sale equity instruments on a regular basis including regular monitoring of ASX listed prices and ASX releases. The Group did not enter into any commodity derivative contracts during the year.

The Group's equity investments are listed on the Australian Securities Exchange. For such investments classified as available for sale, a 10 percent increase in the value of the shares at the current and comparative reporting dates would have decreased the Group's other comprehensive loss of \$4,000; an equal change in the opposite direction would have increased the Group's other comprehensive loss for the period by \$4,000.

## **Capital management**

The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so as to maintain future exploration and development of its projects. Capital consists of share capital of the Group. In order to maintain or adjust its capital structure, Buru Energy may in the future return capital to shareholders, issue new shares, borrow funds from financiers or sell assets. Buru Energy's focus has been to maintain sufficient funds to fund exploration and development activities.

During 2017, Buru and Alcoa reached an agreement to vary the repayment terms on the \$12.5 million loan to Alcoa of Australia Limited due on 30 June 2018, with the varied payments now being made in the tranches set out below:

- \$5.0 million was paid on 14 July 2017
- \$2.5 million to be paid on or before 31 December 2018
- \$2.5 million to be paid on or before 31 December 2019
- \$2.5 million to be paid on or before 31 December 2020

The remaining \$7.5 million loan continues to be unsecured and from 1 January 2018 is subject to an agreed interest rate of 5% and is payable annually in arrears. The \$2.5 million annual tranches are further subject to an accelerated capital repayment mechanism based on Buru Energy's gross revenue from Ungani oil sales exceeding an agreed base level (see note 17).

## 29. Subsequent Events

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

## 30. Auditors' Remuneration

<b>Audit services</b>	31 December 2017	31 December 2016
KPMG Australia: Audit and review of financial reports	73,500	60,000
KPMG Australia: Audit of Joint Venture reports	5,500	15,250
KPMG Australia: Audit of Traditional Owner Royalty Statements	5,000	5,000
KPMG Australia: Other audit/assurance services	12,000	-

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

# Directors' Declaration

- 1 In the opinion of the Directors of Buru Energy Limited ('the Company'):
  - (a) the consolidated financial statements and notes that are contained on pages 30 to 60 and the Remuneration report in the Directors' report, set out on pages 25 to 28, 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 2017 and of its performance, for the financial period ended on that date; and
    - (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
  - (b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- 2 The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Executive Chairman and Head of Finance, for the year ended 31 December 2017.
- 3 The Directors draw attention to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



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Mr Eric Streitberg  
Executive Chairman  
Perth  
14 March 2018



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Mr Robert Willes  
Non-executive Director  
Perth  
14 March 2018

# Independent Auditor's Report



## Independent Auditor's Report

To the shareholders of Buru Energy Limited

### Report on the audit of the Financial Report

#### Opinion

We have audited the **Financial Report** of Buru Energy Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year ended on that date; and
- Complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2017
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

#### Basis for opinion

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

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

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





## Key Audit Matters

The **Key Audit Matter** we identified was:

- Acquisition of Oil & Gas Assets.

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

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

### Acquisition of Oil & Gas Assets (\$20.4 million)

Refer to Notes 9 and 27 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>The acquisition of Oil and Gas Assets is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The size of the transaction (\$20.4 million); and</li> <li>• The judgement required to determine the fair value of the assets acquired in the transaction.</li> </ul> <p>The Asset Swap Deed ('agreement') required the two parties to swap their interests in a number of oil and gas tenements. The Group performed a valuation of the Oil and Gas Assets acquired in accordance with the accounting standards.</p> <p>The assessment of the fair value of the Asset Swap applies significant judgements through the use of assumptions. The key fair value assumptions include:</p> <ul style="list-style-type: none"> <li>• Forecast sales, production levels, production costs and capital expenditure</li> <li>• Expected oil prices</li> <li>• Life of oil resources</li> <li>• Foreign exchange and discount rate.</li> </ul> <p>To assess the significant judgements of this key audit matter we involved senior audit team members.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Analysing the Asset Swap Deed and evaluation of the key terms and conditions</li> <li>• Assessing and challenging the key assumptions included in the valuation model (discounted cash flow), including assessing the reasonableness of: <ul style="list-style-type: none"> <li>- Oil sales price by comparing to market commentators' views</li> <li>- Oil volume by comparing to the contingent resources report prepared by management's external expert</li> <li>- The production profile of the Ungani Oil Field by comparing it to actual performance achieved to date</li> <li>- Operational and capital costs by comparing to actual production costs achieved, existing supplier agreements and capital expenditure cost budget</li> <li>- Foreign exchange and discount rate assumptions by comparing to market data.</li> </ul> </li> <li>• Testing the valuation model for mathematical accuracy</li> <li>• Assessing the allocation of the fair value to the acquired tenements.</li> </ul>

# Independent Auditor's Report



## Other Information

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

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

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

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

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our Auditor's Report.



## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of Buru Energy Limited for the year ended 31 December 2017, complies with *Section 300A* of the *Corporations Act 2001*.

### Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

### Our responsibilities

We have audited the Remuneration Report included in 25 to 28 of the Directors' report for the year ended 31 December 2017.

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

A handwritten signature of the KPMG firm, written in blue ink.

KPMG

A handwritten signature of Graham Hogg, written in blue ink.

Graham Hogg  
Partner  
Perth  
14 March 2018

# Corporate Governance Statement

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

This Corporate Governance Statement has been prepared on the basis of disclosure under the 3rd edition of the ASX Corporate Governance Principles and Recommendations, detailing the Company's compliance with these principles during the financial year ended 31 December 2017 on an "if not, why not" basis.

This Corporate Governance statement can be viewed in the corporate governance section of the Company's website: [www.buruenergy.com](http://www.buruenergy.com).

## ASX Principle 1 – Lay solid foundations for management and oversight

### *Role of the Board*

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

The Board is collectively responsible for the governance of the Company and for promoting its success. The Board's primary purpose is to govern the Company on behalf of all shareholders. The Board's specific job outputs are to maintain a link between the Company's shareholders and its operations and to create and maintain governance policies that address the broadest levels of all decisions and situations. The Board retains the responsibility for setting the Company's strategic direction and objectives and for setting limitations on the means by which management may achieve those objectives. Limitations on management are primarily imposed by approved corporate strategy and expenditure limits. The Board delegates to management the responsibility for developing the capability to achieve Buru Energy's aims and objectives and employing that capability within the limitations set by the Board. The Board monitors and maintains this delegation by requiring regular reporting by management to the Board.

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

- no person within Buru Energy, whether a Board member or a member of management, can have any authority unless the Board grants that authority;
- all Board members are accountable individually and as a whole for any lapses of performance or behaviour by Buru Energy; and
- the Board possesses authority only as a group, the Chairman and individual Directors have no power unless specifically given it by the Board collectively.

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

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

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

To assist in the execution of its responsibilities, the Board has established an Audit and Risk Committee and a Remuneration and Nomination Committee. Further details on both Committees are included in this Corporate Governance Statement.

## ***Delegation to management***

The Board delegates a portion of its authority through management limitations, policies and holding the Executive Chairman accountable. It also recognises in its policies, strategic direction and setting of objectives for management, its accountability to legal and ethical obligations and its broader responsibility to non-equity stakeholders and the community. Senior executives are responsible for supporting the Executive Chairman and assisting him with the management of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds to the Executive Chairman.

## ***Election of directors***

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

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

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

## ***Terms of appointment***

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

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

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

# Corporate Governance Statement

## Role of Company Secretary

The Company Secretary is accountable to the Board for:

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

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

## Diversity

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

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

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

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

Period	31 December 2017				31 December 2016			
	Males		Females		Males		Females	
Gender	Number	%	Number	%	Number	%	Number	%
Directors	2	67	1	33	2	67	1	33
Senior Executives	2	100	-	-	2	100	-	-
All Other Employees	27	84	5	16	17	77	5	23
<b>TOTAL</b>	<b>31</b>	<b>84</b>	<b>6</b>	<b>16</b>	<b>21</b>	<b>78</b>	<b>6</b>	<b>22</b>

Due to the technical nature of the company's operations it is difficult to find suitably qualified and experienced female staff, however, the Company actively encourages and supports its female staff in their career development and provides external scholarships and support for female students studying earth sciences.

In respect of Aboriginal engagement, the Company's objectives in 2017 were as follows:

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

With the restart of oil production from the Ungani Oilfield, Buru engaged a further two Aboriginal workers based in the Kimberley, one as operator and another in HSE. The Company had full retention of its Aboriginal workforce and has also put in place a traineeship program to train further Aboriginal workers as Operators at the Ungani Facility. This will focus on Nyikina Mangala Traditional Owners who are the recognised Native Title Holders in the Ungani area.

The Company puts a preference on contracting local Kimberley Aboriginal businesses to provide services. Contracting of Aboriginal businesses more than doubled in 2017 compared to 2016. Services were provided by Aboriginal businesses in the areas of civil works, rehabilitation operations, rehabilitation monitoring, site security and inspections and environmental monitoring.

## *Performance review*

Approximately every three years, or more frequently if appropriate, the Remuneration and Nomination Committee will undertake an evaluation of the performance of the Board, its Committees, individual Directors, and senior executives. The other Directors have an opportunity to contribute to the review process. The reviews generate recommendations to the Board, which votes on them. The Committee's nomination of existing Directors for reappointment is not automatic and depends on, amongst other things, the outcome of the review process. The Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the executive officers and Directors of the Company and of other Group executives for the Group. It is also responsible for short and long term incentive performance packages, superannuation entitlements and retirement and termination entitlements.

During the 2017 year there were no formal performance reviews undertaken and Executive Management and Non-executive Directors only received a modest increase in line with CPI. There was no change to the Executive Chairman's remuneration.

## *Board Meetings*

Full Board meetings are conducted in accordance with the Company's constitution at least nine times a year, but generally monthly, at venues, dates and times agreed, where practical, in advance. In accordance with the constitution, the quorum for a meeting is two Directors, however all meetings are scheduled so that all Directors can attend.

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

Urgent matters that cannot wait until the next scheduled Board meeting and for which an impromptu Board meeting cannot be arranged are dealt with by a circular resolution in accordance with Buru Energy's Constitution (Article 11.22). Circular resolutions are normally preceded by telephone or email correspondence if practical, and are approved by the Executive Chairman before being circulated. The resolution is passed when it is signed by the last of the Directors. Signed circular resolutions are entered into the minute book. The Board meets informally as required to discuss matters and to ensure members are fully informed of the Company's operations. Directors are also provided with a weekly report setting out material matters that have occurred.

## *Independent professional advice and access to company information*

Each Director has the right to access all relevant Company information and to speak to and have access to management. Subject to prior consultation with and approval by the Chairman, each Director may seek independent professional advice in respect of the Company and the Board's affairs from a suitably qualified adviser at the Group's expense. A copy of the advice received by a Director in these circumstances will, subject to the Chairman's discretion, be made available to all other members of the Board. No Director sought such advice during the year.

## ASX Principle 2 – Structure the board to add value

### *Composition of the Board & Director Independence*

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

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

- a minimum of three and no more than eight Directors, with extensive knowledge relevant to the conduct of the Company's business;
- a majority of independent Non-executive Directors;
- a Non-executive Independent Director as Chairman (however this is not currently complied with as set out below); and
- all Directors are subject to re-election every three years, except for the Managing Director (currently the functional role of the Executive Chairman).

# Corporate Governance Statement

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

The Board considers the mix of skills and the diversity of Board members when assessing the composition of the Board. The Board assesses existing and potential Directors' skills to ensure they have appropriate capabilities, experiences, skills and ability to add value to the Company's business as a whole. The composition of the Board is also assessed having regard to the Company's Diversity Policy, which is designed to promote and achieve diversity at all levels of Buru Energy's business, including the Board. A detailed skills matrix of the Board for a company of Buru Energy's size and nature is not considered necessary. The Board assesses the independence of each Director annually in light of the interests declared by them. Directors will be considered independent if they meet the definition of an 'Independent Director' in accordance with the ASX Corporate Governance Council Corporate Governance Principles and Recommendations.

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

## ***Nomination Committee***

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

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

The Company Secretary is the Secretary of the Remuneration and Nomination Committee. The Executive Chairman and Company Secretary do not attend meetings involving matters pertaining to themselves. The Remuneration and Nomination Committee meet at least three times a year and as often as required as determined by the Chairperson of the Committee. The number of meetings that the Committee held, and the number of meetings attended by each Committee member during the year is disclosed in the Directors' Report. Any Committee member may convene a meeting of the Committee and two members constitute a quorum. The Committee has the right to access management and may engage independent professional advisers as it requires, to assist it to discharge its purpose and responsibilities. The minutes of meetings are circulated, approved and signed by the Chairman within twenty one days of the date of the meeting. Further details on the Remuneration and Nomination Committee, including its charter, the Board Renewal and Performance Evaluation Policy and the Diversity Policy can be viewed in the corporate governance section of the Company's website.

## ***Director Education***

Each new Director will undergo a formal induction at the earliest opportunity to enable them to gain an understanding of the Company's financial, strategic, operational and risk management position and to participate fully and actively in Board decision-making. Directors also have the opportunity to visit Company facilities and meet with management to gain a better understanding of business operations and both Mr Willes and Ms Howell did so during the year. Directors are also given access to continuing education opportunities to update and enhance their skills and knowledge.



## ASX Principle 3 – Act ethically and responsibly

### *Code of conduct*

Buru Energy has established a Code of Conduct and this can be viewed in the corporate governance section of the Company's website. The Code of Conduct applies to all Directors, senior executives, employees and contractors working on Buru Energy sites. It sets out the practices necessary to maintain confidence in the Company's honesty and integrity and the practices necessary to take into account the legal obligations and the expectations of the Company's stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Code of Conduct sets out the procedure to be followed if there is, or may be, a conflict between the personal or other interests of a Director and the business of the Company including the notification of an interest to the Board and a withdrawal from a meeting in which the material matter is discussed. There have been no reports of a departure from the Code of Conduct.

### *Trading in Company securities by Directors and employees*

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

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

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

## ASX Principle 4 – Safeguard integrity in corporate reporting

### *Audit Committee*

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

# Corporate Governance Statement

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

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

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

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

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

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

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

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

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

## ***Financial Statements***

The Executive Chairman and the Head of Finance have declared in writing to the Board that in respect of both the 31 December 2017 financial report and 30 June 2017 half-year financial report of the Company and its controlled entities that:

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

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

## ***External Auditor***

The external auditor attends the annual general meeting to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Group and the independence of the auditor in relation to the conduct of the audit.

## ***Internal Audit***

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

## **ASX Principle 5 – Make timely and balanced disclosure**

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

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

- the Executive Chairman and Company Secretary are responsible for interpreting the Group's policy and where necessary informing and seeking approval from the Board. The Executive Chairman and Company Secretary are primarily responsible for all external communications including releases made on ASX;
- the full annual report is made available to all shareholders via the Company's website. A physical copy will be sent to any shareholder that specifically requests it. The full annual report includes relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments;
- the half-yearly report is made available to all shareholders via the Company's website. A physical copy will be sent to any shareholder that specifically requests it. The half-yearly report contains summarised financial information and a review of the operations of the Group during the period;
- proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders;
- all announcements made to ASX, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX;
- the full texts of notices of meetings and associated explanatory material are placed on the Company's website; and
- all of the above information, dating back to the listing of the Company, is made available on the Company's website within one day of public release, and is emailed to all shareholders who lodge their email contact details with the Company. Information on lodging email addresses with the Company is available on the Company's website.

# Corporate Governance Statement

## ASX Principle 6 – Respect the rights of security holders

### *Company website and corporate governance*

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

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

### *Investor Relations*

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

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

The Company will ensure that:

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

The Company will also make timely announcements concerning:

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

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

### *Participation at Meetings*

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

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

### **Shareholder communications**

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

## ASX Principle 7 – Recognise and manage risk

### *Risk Committee*

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

### *Risk management*

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

Management provide the risk profile to the Audit and Risk Committee that outlines the material business risks to the Group. Risk reporting includes the status of risks through integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed. The Audit and Risk Committee reports the status of material business risks to the Board on an annual basis, and a review was undertaken with senior management during the year. Further details of the Group's risk management policy and internal compliance and control system are available on the Company's website.

The risks involved with oil and gas exploration generally and the specific risks associated with Buru Energy's activities in particular are regularly monitored and all exploration and investment proposals reviewed by the Committee include a conscious consideration of the issues and risks of each proposal. The Company's executive and senior management have extensive experience in the industry and manage and monitor potential exposures facing Buru Energy. The Group's operations are subject to significant environmental regulation under both Commonwealth and State legislation in relation to its oil and gas exploration and production activities. The Group is committed to achieving a high standard of environmental performance and continuous improvement. It has established a Group-wide Environmental Policy together with operation and activity specific environmental management plans to manage this area of the Company's activities. Compliance with the requirements of environmental regulations and with specific requirements of site environmental approvals was substantially achieved across all operations with no instances of material, non-compliance in relation to approval requirements noted. Based on the results of enquiries made, the Board is not aware of any significant breaches during the period covered by this report.

### *Internal Audit*

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

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

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

# Corporate Governance Statement

## ASX Principle 8 – Remunerate fairly and responsibly

### *Remuneration Committee*

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

The Company is committed to adopting remuneration practices that:

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

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

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

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

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

## Additional ASX Information

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

The distribution of ordinary shares ranked according to size as at 28 February 2018 was as follows:

Category	Ordinary Shares	%	No of Holders	%
100,001 and Over	330,822,303	76.58	519	6.36
10,001 to 100,000	82,425,865	19.08	2,556	31.35
5,001 to 10,000	10,624,122	2.46	1,382	16.95
1,001 to 5,000	7,627,865	1.77	2,585	31.70
1 to 1,000	521,178	0.12	1,112	13.64
<b>Total</b>	<b>432,021,333</b>	<b>100.00</b>	<b>8,154</b>	<b>100.00</b>
Unmarketable Parcels	1,019,001	0.24	1,490	18.27

The 20 largest ordinary shareholders of the ordinary shares as at 28 February 2018 were as follows:

Rank	Name	Number of ordinary shares	%
1	BIRKDALE ENTERPRISES PTY LTD	35,056,269	8.11
2	CHEMCO PTY LTD	17,333,333	4.01
3	COOGEE RESOURCES PTY LTD	16,000,000	3.70
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,694,364	3.17
5	MR ERIC CHARLES STREITBERG	11,103,133	2.57
6	PERSHING AUSTRALIA NOMINEES PTY LTD	7,971,996	1.85
7	MR STEPHEN HARRY JONES	7,149,240	1.65
8	CITICORP NOMINEES PTY LIMITED	6,052,021	1.40
9	MAXIGOLD HOLDINGS PTY LTD	6,043,780	1.40
10	ROCKET SCIENCE PTY LTD	5,450,000	1.26
11	MR JOHN PHILIP DANIELS	4,816,121	1.11
12	WANDJI INVESTMENTS LIMITED	4,722,400	1.09
13	BNP PARIBAS NOMINEES PTY LTD	4,091,938	0.95
14	J P MORGAN NOMINEES AUSTRALIA LIMITED	3,823,195	0.88
15	SINO PORTFOLIO INTERNATIONAL LIMITED	3,820,588	0.88
16	MAJOR DEVELOPMENT GROUP PTY LTD	3,707,890	0.86
17	JH NOMINEES AUSTRALIA PTY LTD	3,400,000	0.79
18	PARAMON HOLDINGS PTY LTD	3,000,000	0.69
19	TWINSOUTH HOLDINGS PTY LTD	3,000,000	0.69
20	CHARRINGTON PTY LTD	2,940,000	0.68
<b>Total twenty largest shareholders</b>		<b>163,176,268</b>	<b>37.77</b>
<b>Balance of register</b>		<b>268,845,065</b>	<b>62.23</b>
<b>Total register</b>		<b>432,021,333</b>	<b>100.00</b>

## Additional ASX Information

The following interests were registered on the Company's register of Substantial Shareholders as at 28 February 2018:

Shareholder	Number of ordinary shares	%
Birkdale Enterprises Pty Ltd	35,056,269	8.11
Chemco Pty Ltd	33,333,333	7.71
Eric Streitberg and his associates	29,747,406	6.89

### Voting rights

#### Ordinary shares

At a general meeting of shareholders:

- (a) On a show of hands, each person who is a member or sole proxy has one vote.
- (b) On a poll, each shareholder is entitled to one vote for each fully paid share.

#### Unlisted Options

There are no voting rights attached to the unlisted options:

### Other information

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

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

The Company and its controlled entities schedule of interests in permits as at 28 February 2018 were as follows:

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

\* Excluding Backreef Area



## Directors

Mr Eric Streitberg  
Ms Eve Howell  
Mr Robert Willes

Executive Chairman  
Independent Non-executive Director  
Independent Non-executive Director

## Company Secretary

Mr Shane McDermott

## Registered and Principal Office

Level 2  
16 Ord St  
West Perth WA 6005  
Telephone:  
Email:  
Website:

+61 (08) 9215 1800  
info@buruenergy.com  
www.buruenergy.com

## Share Registry

Link Market Services Limited  
Level 12, QV1 Building  
250 St Georges Terrace  
Perth WA 6000  
Telephone:  
Email:  
Website:

1300 554 474  
registrars@linkmarketservices.com.au  
www.linkmarketservices.com.au

## Auditors

KPMG  
235 St George's Terrace  
Perth WA 6000

## Stock Exchange

Australian Stock Exchange  
Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

<b>ASX Code:</b>	BRU
<b>Shares on issue:</b>	432,021,333
<b>Unlisted options:</b>	4,550,000



[www.buruenergy.com](http://www.buruenergy.com)