Buru Energy
Buru Energy Limited
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16 March 2009

Company Announcements Platform
Australian Stock Exchange Limited
Exchange Centre
20 Bond Street
Sydney NSW 2000

Via ASX online

HALF YEAR REPORT FOR THE PERIOD ENDING 31 DECEMBER 2008

Please see attached Buru Energy Limited's Half-Year Report for the period ending 31 December 2008.

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

For inquiries please contact:

Adrian Cook, Managing Director
Telephone: + 61 8 9215 1800
Freecall: 1800 337 330
Email: adriancook@buruenergy.com

Yours faithfully

Adrian Cook
Managing Director
Buru Energy Limited

BURU ENERGY LIMITED
ABN 71 130 651 437

INTERIM REPORT
FOR THE INTERIM PERIOD ENDED
31 DECEMBER 2008

Registered Office and Principal Place of Business:

Level 1
418 Murray Street
Perth
Western Australia 6000

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DIRECTORS' REPORT

The Directors present their report on the consolidated entity ("Buru") consisting of Buru Energy Limited (the "Company") and the entities it controlled at the end of, or during, the period from incorporation on 16 April 2008 until 31 December 2008 ("interim period").

DIRECTORS

The following persons were Directors of the Company during the whole of the interim period and up to the date of this report:

Non-Executive
Mr Eric Streitberg (Chairman)
Mr Graham Riley

Executive
Mr Adrian Cook (Managing Director)

All directors were appointed at incorporation on 16 April 2008 and continue in office at the date of this report.

BACKGROUND AND BUSINESS OVERVIEW

Buru was incorporated on 16 April 2008 as a public company limited by shares and its shares were listed on the Australian Stock Exchange on 1 September 2008.

Buru's assets and liabilities were transferred from ARC Energy Limited ("ARC") to Buru immediately prior to the Merger between Australian Worldwide Exploration Ltd ("AWE") and ARC on 25 August 2008. As a consequence there is no comparative financial information in the interim report.

On completion of the transfer, Buru held an exploration portfolio consisting of interests in 15 exploration permits, 1 retention lease, 2 production licences, 1 onshore pipeline licence and 8 applications within the Canning Basin in the Kimberley region of Northwest Australia.

Vision and corporate strategy

Buru's vision is to successfully explore for and develop the petroleum resources of the Canning Basin and other areas it identifies as prospective to deliver material benefits to its shareholders, the community and the traditional owners of the areas in which the Company operates.

Buru's overall corporate strategy is to:

(a) apply appropriate and innovative techniques and strategies to exploration and development of the petroleum resources of the areas in which it operates;
(b) achieve technical, operational, commercial and safety and environmental excellence in its activities; and
(c) engage effectively, openly, ethically and fairly with the traditional owners and the wider community in the areas in which it operates.

REVIEW OF OPERATIONS

Production and Development

Buru produces oil from the Blina and Sundown oil field complex contained within the L6 and L8 licences in the Canning Basin in the northwest of Western Australia, and in August and September of 2008 successfully completed a well workover program in its existing producing fields. The workover program resulted in production increasing from approximately 30 barrels of oil per day ("bopd") to approximately 200 bopd. Production has subsequently reduced to less than 100 bopd as a consequence of the Company shutting in its low producing wells in light of the fall in the oil price making these wells uneconomic. Additional technical studies of these fields are being undertaken and these studies are expected to be complemented by the proposed acquisition of 3D seismic data in 2009 and drilling in 2010. This drilling is expected to result in an increase in production from these fields, the timing of which is intended to coincide with an improvement in economic conditions and oil prices.

Drilling

The Company, in joint venture with New Standard Energy Limited ("NSE"), drilled the Lanagan 1 and Lawford 1 wells in the EP 417 permit between September and November of 2008. Buru participated in these wells following the execution of an agreement with NSE on 26 August 2008 under which NSE assigned a 35% interest in the EP 417 permit to Buru in return for Buru committing to fund 35% of the costs of drilling the Lanagan 1 and Lawford 1 wells and Buru paying NSE $75,000 toward previous expenditure incurred by NSE on the permit.

The Lanagan 1 well was drilled in September 2008 to a total depth of 1,530 metres and was plugged and abandoned when no significant hydrocarbons were encountered. On 4 October 2008 NSE, as operator, spudded the Lawford 1 well which was subsequently suspended at a depth of 1,325 metres due to the risk of weather impacting drilling operations and continued mechanical difficulties with the well. The operator is assessing rig alternatives with the expectation that the well will be completed during the 2009 or 2010 drilling season to its proposed total target depth of 1,800 metres.

Buru, as operator of the EP 104 / R1 Permits, undertook additional testing of the Stokes Bay 1 well located near the town of Derby in October and November of 2008. The program involved an initial circulation of fresh water and swabbing of the wellbore before using nitrogen in an attempt to lift the heavy drilling fluids above the Nullara Formation carbonate reservoir and reduce the pressure on the formation. The test program was designed to induce flow of formation fluids from the cavernous Nullara Formation reservoir. However, these operations rely on there being either sufficient gas already available within the system or sufficient reservoir energy to continue to lift fluids from the well. The additional 190 bbls of drilling fluids recovered in this operation were not enough to assist this influx and other methods will now be evaluated by the joint venture to determine whether hydrocarbons are present and the extent of the reservoir.

Exploration

Since listing on 1 September 2008 Buru has been undertaking a detailed technical review of the previous exploration programs conducted by ARC and has also advanced a detailed regional and prospect level technical review of its portfolio. As outlined by the Company on 12 January 2009, economic conditions and encouraging results from the workovers at the Blina and Sundown oil fields have renewed focus on these areas for low risk exploration in an area with established infrastructure.

Buru is currently planning to acquire over 220 sq km of 3D seismic data over the existing oil fields in production licence L8 and over 100 km of 2D seismic data over the Paradise 1 structure in exploration permit EP 428 with the intention of drilling in these areas in the 2010 drilling season. The Company is also continuing its technical review and prospect identification and refinement process in 2009 in preparation for additional drilling activities in the 2010 dry season. It is also undertaking a detailed review of drilling rig options to ensure it can effectively and economically undertake its next drilling program.

Financial Results

On 25 August 2008 ARC's Canning Basin exploration and production interests, assets and liabilities were transferred to Buru, including nearly $85 million in cash. Since this time Buru has incurred expenditure of $4.3 million on its exploration activities, primarily in relation to drilling the Lanagan 1 and Lawford 1 exploration wells in the EP 417 permit. The producing fields at Blina and Sundown generated an operating surplus of $0.4 million, while net financial income of $1.7 million offset administration costs of $1.6 million.

The net profit before tax, adjusted for exploration write-offs and other impairment losses, for the period was $0.4 million which represents a strong result for the Company in these economic times.

The Company has carefully considered the nature and carrying value of $39.4 million of exploration assets transferred from ARC and the results and the cost of $4.3 million of exploration activities undertaken in its own right. In light of these results and the current oil price, the decision has been made to expense a material component of the exploration expenditure previously capitalised on the balance sheet. As a result Buru has expensed $39.9 million of exploration expenditure during the reporting period.

The Company has reviewed the carrying value of its investment in New Standard Energy Limited, relative to that company's listed share price at 31 December 2008 and has expensed the diminished value during the reporting period. Buru has not recognised a net deferred tax asset ("DTA") of $2.0 million on the balance sheet on the basis that it is not at this stage probable the Company will have sufficient taxable income to utilise these DTA's.

Consequently, the net loss after tax after the above write-offs was $31.0 million for the interim period ended 31 December 2008.

As at 31 December 2008 Buru had $79.3 million in cash reserves of which $20 million was held in an account for the benefit of Alcoa of Australia Limited ("Alcoa") to be either repaid to Alcoa should Buru not supply gas to Alcoa under its Gas Sales Agreement ("GSA") or released to Buru if gas is supplied to Alcoa under the GSA. The $20 million was recognised as a non current asset on the balance sheet at 31 December 2008.

Corporate

The Company has a strong net cash position of $59.3 million, profitable low cost oil production from existing fields in the Canning Basin, and an extensive exploration portfolio with the flexibility to tailor future exploration activities and commitments to the prevailing market conditions.

On 12 January 2009, the Company announced that it intends to preserve and strengthen its already strong position by undertaking a reduced and more tightly focused exploration and development program in the Canning Basin. In addition, the Company intends to identify and review investment opportunities that can offer Buru shareholders the potential for greater rewards, potentially with lower risk, than its existing Canning Basin exploration portfolio, including opportunities outside the Canning Basin.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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

Mr Eric Streitberg
Chairman

Perth
13 March 2009

Mr Adrian Cook
Managing Director

Perth
13 March 2009

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

To: the directors of Buru Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the interim period ended 31 December 2008 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

B Steedman
Partner

Perth

13 March 2009

BURU ENERGY LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE INTERIM PERIOD 16 APRIL 2008 TO 31 DECEMBER 2008

	Note	31 December 2008 $
Revenue		1,635,239
Cost of sales		(1,264,328)
Gross profit		370,911
Exploration expenditure written off	6	(39,909,205)
Other impairment losses		(1,983,712)
Personnel expenses		(466,080)
Share based payment expense		(148,476)
Office and administration expenses		(1,010,031)
Results from operating activities		(43,146,593)
Financial income		1,699,425
Financial expenses		(728)
Net finance income/ (expense)		1,698,697
Loss for the period		(41,447,896)
Income tax benefit		10,438,952
Loss attributable to members of the Company		(31,008,944)
Loss per share (cents)		40.94
Diluted earnings / (loss) per share (cents)		-

Diluted loss per share for the interim period ended 31 December 2008 is not calculated as it is not considered dilutive. Therefore this has not been disclosed.

The above consolidated income statement should be read in conjunction with the accompanying notes.

BURU ENERGY LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	31 December 2008 $
CURRENT ASSETS		
Cash and cash equivalents		59,270,370
Trade and other receivables		2,060,841
Inventories		555,046
Financial assets		391,667
Total Current Assets		62,277,924
NON-CURRENT ASSETS		
Cash held in escrow	9	20,000,000
Exploration and evaluation expenditure	6	3,742,096
Property, plant and equipment		1,370,200
Total Non-Current Assets		25,112,296
TOTAL ASSETS		87,390,220
CURRENT LIABILITIES		
Trade and other payables		2,163,060
Provisions		64,474
Total Current Liabilities		2,227,534
NON-CURRENT LIABILITIES		
Trade and other payables	2(m), 9	40,000,000
Provision		4,450,420
Total Non-Current Liabilities		44,450,420
TOTAL LIABILITIES		46,677,954
NET ASSETS		40,712,266
EQUITY		
Contributed equity	7	71,572,734
Option Reserve		148,476
Accumulated losses		(31,008,944)
TOTAL EQUITY		40,712,266

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

BURU ENERGY LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE INTERIM PERIOD 16 APRIL 2008 TO 31 DECEMBER 2008

	31 December 2008 $
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	1,590,528
Payments to suppliers and employees	(2,652,908)
Interest received	963,507
Interest paid	(728)
Net cash outflow from operating activities	(99,601)
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments for purchase of plant and equipment	(386,741)
Exploration and evaluation expenditure	(4,620,908)
Development expenditure	(667,927)
Cash held in escrow	(20,000,000)
Net cash outflow from investing activities	(25,675,576)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from the issue of share capital	1
Cash received from demerger with ARC Energy Limited	84,986,578
Net cash inflow from financing activities	84,986,579
Net increase in cash and cash equivalents	59,211,402
Cash and cash equivalents at 16 April 2008	-
Effect of exchange rate changes on cash and cash equivalents	58,968
Cash and cash equivalents at 31 December 2008	59,270,370

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

BURU ENERGY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD 16 APRIL 2008 TO 31 DECEMBER 2008

	Issued Capital $	Accumulated Losses $	Option Reserve $	Total Equity $
Opening balance at 16 April 2008	-	-	-	-
Net loss for the period	-	(31,008,944)	-	(31,008,944)
Total recognised income and expense for the year	-	(31,008,944)	-	(31,008,944)
Transactions with equity holders in their capacity as equity holders:				
Issue of share capital	71,572,734	-	-	71,572,734
Equity settled share based payment transactions	-	-	148,476	148,476
	71,572,734	-	148,476	71,721,210
Closing balance at 31 December 2008	71,572,734	(31,008,944)	148,476	40,712,266

Amounts are stated net of tax.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

NOTE 1. BASIS OF PREPARATION OF INTERIM FINANCIAL REPORT

The Company was incorporated on 16 April 2008 and its first financial report will be for the period to 30 June 2009.

The interim financial report for the period 16 April 2008 to 31 December 2008 represents the first interim consolidated financial report of Buru Energy Limited ("Buru"), a company domiciled in Australia. This interim report includes the mandatory requirements of AASB 134 "Interim Financial Reporting" and provides additional disclosure on Buru's accounting policies and material financial amounts. However, this interim financial report does not include all the notes of the type normally included in an annual financial report and should be read in conjunction with any public announcements by Buru during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following:

- available for sale financial assets are measured at fair value; and
- share based payments are measured at fair value.

These methods used to measure fair value are discussed further in note 3.

c) Functional and Presentation Currency

These consolidated financial statements are presented in Australian dollars, which is Buru's functional currency.

NOTE 1. BASIS OF PREPARATION (CONTINUED)

d) Use of Estimates and Judgements

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. In the process of applying Buru's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognised in the financial statements.

(i) Exploration and Evaluation Assets

Buru's accounting policy for exploration and evaluation expenditure is set out at Note 2(d). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under our policy, we conclude that we are unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement. Changes in assumptions may result in a material adjustment to the carrying amount of exploration and evaluation assets.

(ii) Restoration Obligations

Buru estimates the future removal costs of production facilities and wells at the time of installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal technologies in determining the removal cost, and asset specific discount rates to determine the present value of these cash flows.

(iii) Share-Based Payment Transactions

Buru measures the cost of equity-settled transactions with employees by reference to the fair value of the equity investments at the date of which they are granted. The fair value is determined using the Black-Scholes model.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies as set out below have been applied consistently by all entities in Buru.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by Buru. Control exists when Buru has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Buru's only subsidiary at 31 December 2008 is Terratek Drilling Pty Ltd.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

(ii) Joint ventures

The interest of the Company and of Buru in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(iii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign Currency

Transactions in foreign currencies are translated 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, Plant and Equipment

(i) Owned Assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

(ii) Subsequent Costs

Buru recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to Buru and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iii) Depreciation

Assets, other than land and capital work in progress, are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

(iv) Infrastructure Assets

Infrastructure assets are depreciated using the diminishing value method. The depreciation rates used for infrastructure assets range from 4% to 33% depending upon the estimated useful life of each field.

(v) Other Plant and Equipment

Items of other plant and equipment are depreciated using the straight line method over their estimated useful lives. The depreciation rates used for other plant and equipment range between 4.0% and 27% depending on the specific type of assets subject to the depreciation.

The useful life and the depreciation method applied to an asset are reassessed at least annually.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Exploration Expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before Buru has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
(ii) activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of oil or gas in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to development expenditure.

(e) Development Expenditure

Development expenditure is accumulated in respect of each separate area of interest. Development expenditure related to an area of interest is carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated cost in respect of that area is written off in the financial period the decision is made. Each area of interest is reviewed at the end of each accounting period and accumulated cost written off to the extent that they will not be recoverable in the future. Impairment of assets is discussed in Note 2(j).

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward exploration and development costs are amortised on a units of production basis over the life of economically recoverable reserves.

Development assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount [see impairment accounting policy 2(j)]. For the purposes of impairment testing, development assets are allocated to cash-generating units to which the development activity relates. The cash generating unit shall not be larger than the area of interest.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Investments

The fair value of financial instruments classified available for sale is their quoted bid price at the balance sheet date. Financial instruments classified as available for sale investments are recognised / derecognised by Buru on the date it commits to purchase / sell the investments. The changes in fair value, apart from impairment losses are recognised in a separate component of equity.

(g) Trade and Other Receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

(j) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Non-Financial assets

The carrying amounts of Buru's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Employee Benefits

(i) Long-Term Service Benefits

Buru's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of Buru's obligations.

(ii) Wages, Salaries, Annual Leave and Sick Leave

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that Buru expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Share-Based Payment Transactions

The share option program allows Buru employees and directors to acquire shares in the Company. The fair value at grant date of options granted to employees and directors is recognised as a share based payment expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

(iv) Defined Contribution Superannuation Funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement when they are due.

(l) Provisions

A provision is recognised in the balance sheet when Buru 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.

Rehabilitation

Provisions are made for the estimated cost of an oil and gas fields site rehabilitation. Provisions include reclamation, plant closure, waste site closure and monitoring activities. These costs have been determined on the basis of current costs, current legal requirements and current technology. Changes in estimates are dealt with on a prospective basis.

Uncertainty exists as to the amount of restoration obligations which will be incurred due to the following factors:

- Uncertainty as to the remaining life of existing operating sites; and
- The impact of changes in legislation.

(m) Trade and other payables

Current trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30 day terms.

Non-current trade and other payables consist of Buru’s obligation to repay a $40 million gas prepayment made by Alcoa to ARC prior to the demerger of Buru. These financial obligations crystallise if Buru does not deliver gas under the Gas Sales Agreement (“GSA”) from gas supplied from the Canning Basin or elsewhere, with repayment obligations being in three equal instalments commencing in 2013. Revenue will only be recognised when Buru delivers gas under the

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GSA. No gas has been delivered to Alcoa, therefore the balance is presented as a non-current payable (deferred income) in the balance sheet.

(n) Loans & Borrowings

Loans and borrowings are initially recognised at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest method.

(o) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(p) Revenue

Revenue from the sale of oil, gas and condensate 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 and recovery of the consideration is probable.

(q) Expenses

(i) Operating Lease Payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

(ii) Net Financing Costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested and foreign exchange gains and losses.
Interest income is recognised in the income statement as it accrues, using the effective interest method.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income Tax

Income tax expenses 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 on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax Consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 16 April 2008 or from the date the entity is acquired and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Buru Energy Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the ‘separate taxpayer within group’ approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Tax Funding Arrangements and Tax Sharing Arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivable/(payable) is at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(s) 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.

(t) Segment Reporting

A segment is a distinguishable component of Buru that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(u) Earnings per share

Buru presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS 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.

NOTE 3. DETERMINATION OF FAIR VALUES

A number of Buru's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Share-based payment transactions

The fair value of employee stock options is 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.

(ii) Investments in equity instruments

The fair value available for sale investments is determined by reference to their quoted bid price at the reporting date.

NOTE 4. SEGMENT INFORMATION

Buru has one business segment, the exploration, evaluation and development of oil and gas resources. Buru operates predominately in the geographical location of Australia.

NOTE 5. IMPACT OF BURU DEMERGER ON BURU

Background and business overview

Buru was incorporated on 16 April 2008 as a public company limited by shares and its shares were listed on the Australian Stock Exchange on 1 September 2008.

Buru's assets and liabilities were transferred from ARC Energy Limited ("ARC") to Buru immediately prior to the Merger between Australian Worldwide Exploration Ltd ("AWE") and ARC on 25 August 2008. These assets and liabilities were transferred at carrying value.

The following historical balance sheet highlights the impact of the Demerger on Buru:

	25 August 2008 $
CURRENT ASSETS	
Cash and cash equivalents	64,986,578
Inventory	96,635
Total Current Assets	65,083,213
NON-CURRENT ASSETS	
Cash held in escrow	20,000,000
Exploration and evaluation expenditure	39,390,393
Property, plant and equipment	1,257,501
Other financial assets	1,500,000
Total Non-Current Assets	62,147,894
TOTAL ASSETS	127,231,107
CURRENT LIABILITIES	
Trade and other payables	769,420
Total Current Liabilities	769,420
NON-CURRENT LIABILITIES	
Provisions	4,450,000
Trade and other payables	40,000,000
Deferred tax liabilities	10,438,953
Total Non-Current Liabilities	54,888,953
TOTAL LIABILITIES	55,658,373
NET ASSETS	71,572,734
EQUITY	
Contributed equity	71,572,734
TOTAL EQUITY	71,572,734

NOTE 6. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2008 $
Carrying amount at beginning of the interim period	-
Acquired from demerger of Buru Energy from ARC Energy Limited	39,390,393
Expenditure	4,260,908
Exploration expenditure written off	(39,909,205)
	3,742,096

Buru has carefully considered the nature and carrying value of $39.4 million of exploration assets transferred from ARC and the results and the cost of $4.3 million of exploration activities undertaken in its own right. In light of these results and the current oil price, the decision has been made to write-off a material component of the exploration expenditure previously capitalised on the balance sheet. As a result Buru has written $39.9 million of exploration expenditure off during the reporting period.

NOTE 7. EQUITY SECURITIES ISSUED

Issues of ordinary shares during the interim period	**31 December 2008**
Shares issued after demerger (refer note 5)	162,119,728
	162,119,728
Listed options issued after demerger	55,176,975
	55,176,975

NOTE 8. SHARE BASED PAYMENTS

Buru issued 33,900,000 unlisted director and executive options during the interim period. These options vest 33% after 6 months, 66% after 12 months and 100% after 18 months from grant date. No other options were issued during the interim period. No options were forfeited or cancelled during the interim period.

NOTE 9. CONTINGENCIES

Buru and Alcoa have agreed to escrow $20 million in cash and interest thereon in partial satisfaction of Buru's obligations to repay a $40 million gas prepayment made by Alcoa to ARC prior to the demerger of Buru. These financial obligations crystallise if Buru does not deliver gas under the Gas Sales Agreement from gas supplied from the Canning Basin or elsewhere, with repayment obligations being in three equal annual instalments commencing in 2013.

NOTE 10. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 12 January 2009, the Company announced that going forward it intends to preserve and strengthen its already strong position by undertaking a reduced and more tightly focused exploration and development program in the Canning Basin.

In addition, the current economic environment has seen an increasing number of oil and gas investment opportunities becoming available. The Company has put in place a review mechanism to identify those investment opportunities that can offer Buru shareholders the potential for greater rewards, potentially with lower risk, than its existing Canning Basin exploration portfolio, including opportunities outside the Canning Basin.

NOTE 11. RELATED PARTIES

The following persons were Directors of the Company during the whole of the interim period and up to the date of this report:

Non-Executive
Mr Eric Streitberg (Chairman)
Mr Graham Riley

Executive
Mr Adrian Cook (Managing Director)

All directors were appointed at incorporation on 16 April 2008 and continue in office at the date of this report.

Other key management personnel and related parties during the interim period were Mr Neil Thompson (Exploration Manager) and Mr Tom Streitberg (Consultant).

Remuneration

Mr Eric Streitberg and Mr Graham Riley receive directors fees of $70,000 and $50,000 per annum respectively, excluding superannuation. Mr Streitberg also provides consulting services to Buru that is charged at normal commercial rates.

Mr Adrian Cook (Managing Director) has a base annual salary, inclusive of superannuation, of $354,250 to be reviewed annually by the Remuneration Committee. Mr Neil Thompson (Exploration Manager) has a base annual salary, inclusive of superannuation, of $272,500. Mr Thompson left the employment of Buru subsequent to year end. Mr Tom Streitberg provides consultancy services at normal commercial rates as required by the Company.

Shares and options

Directors and other key management personnel hold the following shares, unlisted options and listed options as at 31 December 2008:

	Shares	Unlisted Options	Listed Options
Directors			
Eric Streitberg	3,851,066	9,000,000	1,210,966
Graham Riley	2,000,000 *	3,000,000	384,167 **
Adrian Cook	62,764	9,000,000	20,921
Other key management personnel			
Neil Thompson	-	6,000,000	-
Tom Streitberg	-	6,000,000	-

All shares and listed options disclosed above were issued as part of the demerger from ARC Energy Limited, unless otherwise stated, and are current as at the date of this report.
The unlisted options were issued as a share based payment to directors and employers.
* Mr Graham Riley purchased 1,447,500 ordinary shares on market during the interim period
** Mr Graham Riley purchased 32,418 listed options on market during the interim period

NOTE 12. COMMITMENTS

In order to maintain the petroleum exploration licences in which Buru has interests, Buru and its joint venture partners are required to meet the conditions under which the licences are granted. These obligations may be varied from time to time, subject to approval by the grantor or may be mitigated by sale, farmout or relinquishment. The Company is in the process of mitigating its commitments in this manner and as at 31 December 2008 the commitments under its petroleum exploration licences comprised:

	31 December 2008 $
Not later than one year	57,500,000
Later than one year but not later than five years	80,400,000
Later than five years	-
	137,900,000

DIRECTORS' DECLARATION

In the Directors' opinion:

1. the financial statements and notes set out on pages 6 to 26, are in accordance with the Corporations Act 2001, including:

   (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the interim period ended on that date; and

2. there are reasonable grounds to believe that Buru Energy Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Mr Eric Streitberg
Chairman

Perth
13 March 2009

Mr Adrian Cook
Managing Director

Perth
13 March 2009

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

Report on the financial report

We have reviewed the accompanying interim financial report of Buru Energy Limited, which comprises the consolidated interim balance sheet as at 31 December 2008, income statement, statement of changes in equity and cash flow statement for the interim period 16 April 2008 to 31 December 2008, a description of accounting policies and other explanatory notes 1 to 12 and the directors' declaration of the Group comprising the Company and the entity it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2008 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Buru Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2008 and of its performance for the interim period ended on that date; and

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

KPMG

B Steedman
Partner

Perth

13 March 2009