Buru Energy Limited
ABN 71 130 651 437

Interim Financial Report
For the six months ended 30 June 2018

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The Directors present their report together with the condensed consolidated interim financial statements of the Group comprising Buru Energy Limited (Buru Energy or the Company) and its subsidiaries for the six month period ended 30 June 2018 and the auditor's independent review report thereon.

Directors

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

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

The Company Secretary is Mr Shane McDermott.

Principal Activities

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

Review of Operations

Corporate

On 21 May, Buru announced it had entered into two transactions with Roc Oil (Canning) Pty Limited (Roc Oil) in relation to its Canning Basin oil production and exploration assets.

Roc Oil purchased a 50% interest in the Ungani production licences L20 and L21 (the Ungani Oilfield) for a total cash payment of $64 million. Buru received $13 million of the purchase price immediately, with the remaining $51 million of the purchase price payable upon the Department of Mines, Industry Regulation and Safety (DMIRS) approval and registration of the Ungani production licence transfers. This registration process is the responsibility of Roc Oil and is currently proceeding satisfactorily.

The parties also agreed that Roc Oil will farm into a 50% interest in exploration permits EP 391, EP 428 and EP 436 by paying $20 million of a $25 million exploration program of up to four wells. These permits cover a significant part of the prospective Ungani conventional oil trend. This transaction was conditional on the termination, by an Act of the Parliament of Western Australia, of the State Agreement dated 7 November 2012. This Act was approved by the Western Australian Legislative Assembly (Lower House) in July and was approved by the Western Australian Legislative Council (Upper House) on 15 August. The Act has now received royal assent and is an Act of Parliament as of 21 August 2018 and consequently the farmin agreement was completed on 3 September 2018. The farm-in transaction does not include the Laurel Formation unconventional gas accumulation within the permits which will remain 100% owned by Buru. This includes the Yulleroo Gasfield. Buru will remain as operator of all permits.

Further details about the transactions and the applicable conditions are set out in Buru's ASX release dated 21 May 2018.

Ungani Oilfield - Production

The Ungani oilfield was initially shut in on 29 December 2017 when Tropical Cyclone Hilda delivered approximately 260 mm of rain on the Ungani operations area. This was almost half of the average annual rainfall for the area falling in a three-day period and resulted in the closure of the Ungani access road.

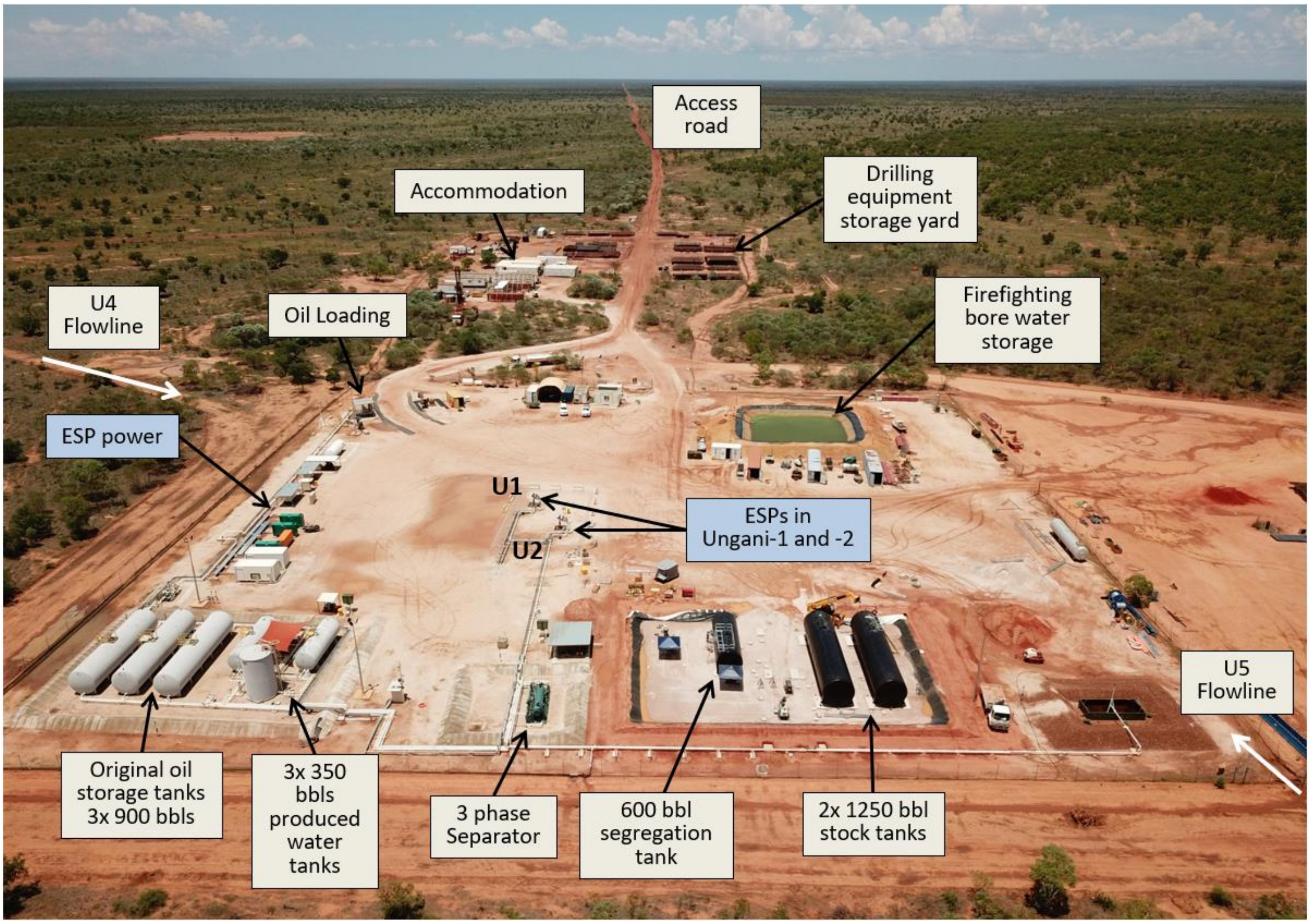
Crude trucking operations recommenced on 6 January 2018, but the field was again shut in on 12 January 2018 as first Cyclone Joyce and then Cyclone Kelvin brought continued heavy rainfall to the Ungani operations area. By the end of Q1 2018, Broome had already had its wettest year on record with more than two years' worth of rain falling on the Kimberley in the first two months of the year. To put the 2017/2018 wet season's weather into perspective, in the 107-year period since 1910, there have been 22 cyclones that have caused gale force winds in Broome. This equates to about one every five years, and in the 14-year period from 1990 to 2004 there were none. This compares to the three cyclones during this past wet season. The Ungani access road remained closed to heavy vehicles throughout Q1 2018 and was re-opened to light vehicles in early April and heavy vehicles in late April.

Production recommenced at the Ungani Oilfield on 3 May 2018 with production for the period to 30 June 2018 totalling ~112,800 bbls (gross) for the 59 days on production, an average of ~1,900 bopd despite being impacted by rate tests on the Ungani 1 and 2 wells to determine the most efficient production rate to maximise oil recovery, and also by well operations at Ungani 4 and Ungani 5.

Ungani production operations

FTA quad on Ungani access road

Ungani 4 and Ungani 5 were both commissioned as part of the production restart with flowlines constructed to the Ungani Production Facility. Initial testing operations on the Ungani 4 well established a flow rate of some 350 bopd of clean oil. This oil flow rate was anomalously low which was interpreted to be due to significant reservoir damage incurred during the drilling and completion of that well.



Ungani Production Facility

Ungani 4 continued to produce at lower than expected rates until June when it was no longer able to produce continuously on free flow. As an interim measure, a beam pump from Buru's inventory was installed on the well in July and production recommenced at the well at ~300 bopd. Production from that well has since declined again and the Joint Venture has now agreed to undertake a sidetrack of the well as the first operation in the 2018 rig operations program.

The Ungani 5 well initially flow tested at initial rates of up to 1,200 bopd of essentially clean oil. This well has since declined to a relatively stable rate of approximately ~250 bopd on free flow. It is expected that this rate will continue to decline prior to the planned installation of artificial lift in mid September.

Ungani crude oil continues to be trucked to CGL storage Tank 10 at Wyndham Port prior to its FOB sale to Trafigura. Six road trains in quad configuration continue on contract from Fuel Trans Australia Pty Ltd which allows production transport capacity of ~2,400 bopd. The contract with Road Trains Australia Pty Ltd for the additional three road trains in triple configuration has been suspended for Q3 but they remain available for additional transport capacity later in 2018.

<u>Ungani Oilfield - Sales</u>

On 11 January, prior to the field being shut-in from the heavy rainfall in Q1, 53,377 bbls were lifted from Wyndham Port by the 'MT Sao Domingos Savio' at A$79/bbl. This lifting was 100% to Buru's account. After production recommenced in Q2, 72,722 bbls (gross) were lifted on 7 June with the 'MT Magic Wand' at A$90/bbl. In accordance with the 21 May 2018 completion date of the sale of 50% of the Ungani Oilfield to Roc Oil, Buru's share of oil sold at this lifting was 58,616 bbls with Roc's share being 14,106 bbls. Further liftings were completed subsequent to 30 June 2018 with the 'MT Palanca Muscat' of 53,329 bbls (gross) at A$90/bbl on 10 July and with the 'MT Security' for 51,962 (gross) bbls at A$88/bbl on 16 August. Buru's share of both of these liftings was 50%. The price received FOB Wyndham represents the realised Brent linked oil price less the buyer's (Trafigura) fixed marine transport discount.

MT Palanca Muscat at Wyndham

<u>Blina and Sundown Oilfields</u>

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

<u>Unconventional Gas Assets</u>

Under the terms of the farm-in transaction with Roc Oil, Buru retains the unconventional gas in the Laurel Formation within the exploration permits including the Yulleroo Gasfield. Buru and Roc Oil have agreed the principles of a Co-ordination Agreement to govern Buru's activities in relation to the Unconventional Gas Assets and the joint activities of Buru and Roc Oil within the area of the Permits.

Buru has previously undertaken a comprehensive evaluation of the unconventional gas potential of the Laurel Formation in the Canning Basin, including an extensive program on the Yulleroo Gasfield where it has drilled three wells and undertaken a hydraulic stimulation (frac) program in the Yulleroo 2 well with encouraging results.

The most recent independent evaluation of the gas and liquids resources of the Yulleroo Gasfield by RISC determined 2C Contingent Resources net to Buru of some 714 petajoules of recoverable gas with 24.9 MMbbls of associated liquids. Refer to Buru's ASX release of 18 January 2018 for full details. The development of this resource will require the gas bearing Laurel Formation to be hydraulically stimulated (fracced) and the Western Australian Government has introduced a moratorium on fraccing in Western Australia while an Independent Scientific Inquiry is carried out. This Inquiry is due to report by the end of 2018.

After Balance Date Events

As described above, following the termination of the State Agreement on 21 August 2018, the farm-in transaction for Roc Oil to acquire a 50% interest in exploration permits EP391, EP428 and EP436 by paying $20 million of the next $25 million of exploration expenditure on the permits, was completed on 3 September 2018.

No other significant events have occurred subsequent to balance date.

Dividends

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

Auditor's Independence Declaration

The lead auditor's independence declaration for the period is set out on page 7 and forms part of this Directors' Report.

Rounding Off

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

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

Mr Eric Streitberg
Executive Chairman
Perth
4 September 2018

Mr Robert Willes
Non-Executive Director
Perth
4 September 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 review of Buru Energy Limited for the half-year ended 30 June 2018 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

Jane Bailey

KPMG

Jane Bailey
Partner

Perth

4 September 2018

BURU ENERGY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

in thousands of AUD	**Note**	**30 Jun 2018**	**31 Dec 2017**
Current Assets			
Cash and cash equivalents		20,019	16,859
Trade and other receivables		880	1,289
Receivable from partial sale of oil and gas assets		51,112	-
Inventories		2,208	3,018
Total Current Assets		74,219	21,166
Non-Current Assets			
Oil and gas assets	5	28,595	55,646
Exploration and evaluation expenditure	6	6,036	6,363
Property, plant and equipment		2,547	4,117
Investments		52	40
Total Non-Current Assets		37,230	66,166
Total Assets		111,449	87,332
Current Liabilities			
Trade and other payables		2,833	8,757
Provisions		1,573	1,427
Loans and Borrowings	7	3,491	5,250
Total Current Liabilities		7,897	15,434
Non-Current Liabilities			
Provisions		4,533	5,558
Loans and Borrowings	7	4,196	2,250
Total Non-Current Liabilities		8,729	7,808
Total Liabilities		16,626	23,242
Net Assets		94,823	64,090
Equity			
Contributed equity	9	271,857	271,803
Reserves		450	1,185
Accumulated losses		(177,484)	(208,898)
Total Equity		94,823	64,090

The notes on pages 12 to 19 are an integral part of these condensed consolidated financial statements.

BURU ENERGY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2018

in thousands of AUD	**Note**	**30 Jun 2018**	**30 Jun 2017**
Revenue		9,472	-
Cost of sales		(5,653)	-
Amortisation of oil and gas assets	5	(3,123)	(1,403)
Gross profit / (loss)		696	(1,403)
Gain on partial sale of oil and gas assets	4	36,337	-
Gain on acquisition of oil and gas assets		-	4,331
Exploration and evaluation expenditure		(2,600)	(1,397)
Corporate and administrative expenditure	8	(3,785)	(2,599)
Movement in fair value of financial assets		12	-
Results from operating activities		30,660	(1,068)
Net finance income / (expense)		57	(248)
Profit / (loss) for the period before income tax		30,717	(1,316)
Income tax expense		-	-
Total comprehensive income / (loss) for the period		30,717	(1,316)
Earnings / (loss) per share (cents)		7.11	(0.39)
Diluted earnings / (loss) per share (cents)		7.11	(0.39)

The notes on pages 12 to 19 are an integral part of these condensed consolidated financial statements

BURU ENERGY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018

in thousands of AUD	Share capital $	Share based payment reserve $	Accumulated losses $	Total equity $
Balance as at 1 January 2017	**258,211**	**1,213**	**(203,208)**	**56,216**
Comprehensive loss for the period				
Loss for the period	-	-	(1,316)	**(1,316)**
Total comprehensive loss for the period	**-**	**-**	**(1,316)**	**(1,316)**
Transactions with owners recorded directly in equity				
Share based payment transactions	-	-	-	**-**
Total transactions with owners recorded directly in equity	**-**	**-**	**-**	**-**
Balance as at 30 June 2017	**258,211**	**1,213**	**(204,524)**	**54,900**

	Share capital $	Share based payment reserve $	Accumulated losses $	Total equity $
Balance as at 1 January 2018	**271,803**	**1,185**	**(208,898)**	**64,090**
Comprehensive loss for the period				
Profit for the period	-	-	30,717	30,717
Total comprehensive loss for the period	**-**	**-**	**30,717**	**30,717**
Transactions with owners recorded directly in equity				
Issue of ordinary shares on conversion of options	16			16
Share based payment transactions	-	-	-	-
Share options exercised/forfeited	38	(735)	697	-
Total transactions with owners recorded directly in equity	**54**	**(735)**	**697**	**16**
Balance as at 30 June 2018	**271,857**	**450**	**(177,484)**	**94,823**

The notes on pages 12 to 19 are an integral part of these condensed consolidated financial statements.

BURU ENERGY LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

In thousands of AUD	**Note**	**30 Jun 2018**	**30 Jun 2017**
Cash flows from operating activities			
Cash receipts from sales		9,450	-
Payments to suppliers and employees		(7,473)	(1,992)
Payments for exploration and evaluation		(1,682)	(1,043)
Net cash inflow / (outflow) from operating activities		295	(3,035)
Cash flows from investing activities			
Interest received		126	238
Receipts from sale / (Payments for purchase) of plant and equipment		41	(71)
Payments for exploration and evaluation		-	(142)
Payments for oil and gas development		(10,318)	(336)
First instalment received for the sale of interest in Ungani Oilfield	4	13,000	-
Previous JV partner's final contribution towards Ungani Oilfield		-	1,500
Net cash inflow from investing activities		2,849	1,189
Cash flows from financing activities			
Proceeds from issue of share capital		16	-
Net cash inflow from financing activities		16	-
Net increase / (decrease) in cash and cash equivalents		3,160	(1,846)
Cash and cash equivalents at beginning of the period		16,859	21,052
Effect of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the period		20,019	19,206

The notes on pages 12 to 19 are an integral part of these condensed consolidated financial statements

1 Reporting Entity

Buru Energy Limited (Buru Energy or the Company) is a for profit company domiciled in Australia. The address of the Company's registered office is Level 2, 16 Ord Street, West Perth, Western Australia. The condensed consolidated interim financial statements of the Company as at, and for the six months ended, 30 June 2018 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in jointly controlled entities. The Group is primarily involved in oil and gas exploration and production in the Canning Basin in the Kimberley region of northwest Western Australia.

2 Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements are general purpose financial statements which have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at, and for the year ended, 31 December 2017. The consolidated financial statements of the Group as at, and for the year ended, 31 December 2017 are available upon request from the Company's registered office or at www.buruenergy.com. The condensed consolidated interim financial statements comply with IAS 34 *Interim Financial Reporting*. These condensed consolidated interim financial statements were approved by the Board of Directors on 4 September 2018.

Significant Accounting Policies

This is the first set of the Group's financial statements where AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* have been applied. Changes to significant accounting policies are described in Note 13.

All other accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at, and for the year ended, 31 December 2017.

Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at, and for the year ended, 31 December 2017 except for new significant judgements and key sources of estimation uncertainty related to the application of AASB 9 *Financial Instruments*, which is described in Note 13.

Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted, however, the Group has not early adopted any new or amended standards in preparing these condensed consolidated interim financial statements.

The Group has the following updates to information provided in the last annual financial statements about the standards issued but not yet effective that may have a significant impact on the Group's consolidated 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.

3 Segment Information

The Group has only one reportable geographical segment being the Canning Basin in northwest Western Australia. The reportable operating segments are based on the Group's strategic business units: oil, gas and exploration. For each of the strategic business units, the Group's Executive Chairman, Chief Financial Officer and other executives review internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable operating segments:

- Oil: Primarily includes the development and production of the Ungani 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 segment revenues, profit or loss and assets to the consolidated figures.

Profit and loss	**Oil**		**Gas**		**Exploration**		**Corporate***		**Total**	
in thousands of AUD	**Jun 18**	**Jun 17**	**Jun 18**	**Jun 17**	**Jun 18**	**Jun 17**	**Jun 18**	**Jun 17**	**Jun 18**	**Jun 17**
External revenues	9,472	-	-	-	-	-	-	-	**9,472**	**-**
Operating costs	(5,653)	-	-	-	-	-	-	-	**(5,653)**	**-**
Amortisation of oil and gas assets	(3,123)	(1,403)	-	-	-	-	-	-	**(3,123)**	**(1,403)**
Gross Profit	**696**	**(1,403)**	**-**	**-**	**-**	**-**	**-**	**-**	**696**	**(1,403)**
Exploration and evaluation expenditure	-	-	-	-	(2,600)	(1,397)	-	-	**(2,600)**	**(1,397)**
Gain on acquisition oil and gas assets	-	4,331	-	-	-	-	-	-	**-**	**4,331**
Gain on sale of interest in oil and gas assets	36,337	-	-	-	-	-	-	-	**36,337**	**-**
Corporate and administrative expenditure, including depreciation	-	-	-	-	-	-	(3,785)	(2,599)	**(3,785)**	**(2,599)**
Movement in fair value of financial assets	-	-	-	-	-	-	12	-	**12**	**-**
Financial income	-	-	-	-	-	-	57	(248)	**57**	**(248)**
Reportable segment profit / (loss) before tax	**37,033**	**2,928**	**-**	**-**	**(2,600)**	**(1,397)**	**(3,716)**	**(2,847)**	**30,717**	**(1,316)**

* Corporate represents reconciliation of reportable segments to IFRS measures

Total Assets	**Oil**		**Gas**		**Exploration**		**Corporate***		**Total**	
in thousands of AUD	**Jun 18**	**Dec 17**	**Jun 18**	**Dec 17**	**Jun 18**	**Dec 17**	**Jun 18**	**Dec 17**	**Jun 18**	**Dec 17**
Current assets	549	1,359	-	-	1,659	1,659	72,011	18,148	**74,219**	**21,166**
Oil and gas assets	28,595	55,646	-	-	-	-	-	-	**28,595**	**55,646**
Exploration and evaluation assets	-	-	6,036	6,363	-	-	-	-	**6,036**	**6,363**
Property, plant and equipment	-	-	-	-	-	-	2,547	4,117	**2,547**	**4,117**
Investments	-	-	-	-	-	-	52	40	**52**	**40**
Total Assets	**29,144**	**57,005**	**6,036**	**6,363**	**1,659**	**1,659**	**74,610**	**22,305**	**111,449**	**87,332**
Capital Expenditure	**3,735**	**17,917**	**-**	**-**	**-**	**468**	**-**	**81**	**3,735**	**18,466**
Total Liabilities										
Current liabilities	1,301	7,727	-	-	2,467	1,779	4,129	5,928	**7,897**	**15,434**
Loans and borrowings (Non-current)	-	-	-	-	-	-	4,196	2,250	**4,196**	**2,250**
Provisions (Non-current)	1,146	2,136	-	-	3,236	3,321	151	101	**4,533**	**5,558**
Total Liabilities	**2,447**	**9,863**	**-**	**-**	**5,703**	**5,100**	**8,476**	**8,279**	**16,626**	**23,242**

* Corporate represents reconciliation of reportable segments to IFRS measures

4 Sale of 50% interest in Ungani Oilfield

On 21 May, Buru announced that Roc Oil (Canning) Pty Limited (Roc Oil) had purchased a 50% interest in the Ungani production licences L20 and L21 (the Ungani Oilfield) for a total cash payment of $64 million. Buru received $13 million of the purchase price immediately, with the remaining $51 million (plus interest) of the purchase price payable upon the Department of Mines, Industry Regulation and Safety (DMIRS) approval and registration of the Ungani production licence transfers. Whilst the transfer of the title is subject to DMIRS's approval, which is in progress, beneficial ownership (including the passing of risks and rewards of ownership) has occurred and the transaction has been recognised in the period.

The Company's interest in the Ungani Oilfield before the sale had a carrying value of $55,326,000 for 100%, or $27,663,000 for the 50% interest sold. The 50% interest was sold for consideration of $64,000,000 resulting in a gain on partial sale of oil and gas assets of $36,337,000.

5 Oil and Gas Assets (Ungani Oilfield)

in thousands of AUD	30 Jun 2018 $	31 Dec 2017 $
Carrying amount at beginning of the period	55,646	21,550
Development expenditure capitalised	3,735	17,917
Oil and gas assets acquired in Asset Swap with Mitsubishi in May 2017	-	20,398
Carrying value of oil and gas assets sold to Roc Oil in May 2018 (Note 4)	(27,663)	-
Amortisation	(3,123)	(4,219)
Carrying amount at the end of the period	28,595	55,646

6 Exploration and Evaluation Expenditure

in thousands of AUD	30 Jun 2018 $	31 Dec 2017 $
Carrying amount at beginning of the period	6,363	21,962
Exploration expenditure capitalised	-	468
Disposal of exploration expenditure in Asset Swap with Mitsubishi in May 2017	-	(16,067)
Movement in rehabilitation provision for exploration assets	(327)	-
Carrying amount at the end of the period	6,036	6,363

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.

7 Loans and Borrowings

in thousands of AUD	30 Jun 2018 $	31 Dec 2017 $
Carrying amount at the end of the period	7,500	10,989
Repayment to Alcoa on 14 July 2017	-	(5,000)
Interest expense of unwinding of the fair value difference	-	1,511
Interest expense	187	-
Carrying amount at the end of the period	7,687	7,500

in thousands of AUD	30 Jun 2018 $	31 Dec 2017 $
Current	3,491	5,250
Non-current	4,196	2,250
	7,687	7,500

7 Loans and Borrowings (cont'd)

The liability is repayable in three annual instalments of $2,500,000 commencing 31 December 2018. The debt is unsecured and subject to an agreed interest rate of 5% on the outstanding balances, payable annually in arrears. The 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 $991,000 as at 31 December 2018. The actual accelerated capital repayment as at 31 December 2018 will be calculated 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.

8 Corporate and Administrative Expenditure

in thousands of AUD	**30 Jun 2018**	**30 Jun 2017**
	$	**$**
Personnel and associated expenses	1,685	1,087
Office and other administration expenses	2,100	1,512
	3,785	2,599

9 Capital and Reserves

	Ordinary Shares	
	1 Jan – 30 Jun 2018	**1 Jan – 31 Dec 2017**
	No.	**No.**
Fully paid shares on issue at the beginning of the period	432,021,333	339,997,078
Rights Issue and Top-up Placement – 11 September 2017	-	92,024,255
Conversion of 31c options to fully paid shares	52,908	-
Fully paid shares on issue at the end of the period	432,074,241	432,021,333

The Company does not have authorised capital or par value in respect of its issued shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. The share-based payments reserve represents the fair value of outstanding equity based compensation to the Group's employees. The financial asset revaluation reserve represents the revaluation of the Group's available for sale financial assets.

10 Capital and Other Commitments

in thousands of AUD	**30 Jun 2018**	**31 Dec 2017**
Exploration expenditure commitments	**$**	**$**
Contracted but not yet provided for and payable:		
Within one year	-	3,188
One year later and no later than five years	3,451	263
	3,451	3,451

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.

11 Subsequent Events

Following the termination of the State Agreement on 21 August 2018, the farm-in transaction for Roc Oil to acquire a 50% interest in exploration permits EP391, EP428 and EP436 by paying $20 million of the next $25 million of exploration expenditure on the permits was completed on 3 September 2018. No other significant events have occurred subsequent to balance date.

12 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.

13 Changes in significant accounting policies

The Group has initially adopted AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* from 1 January 2018.

<u>AASB 15 *Revenue from Contracts with Customers*</u>

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods of services. Under existing contracts the sale of oil is recognised on Free on Board terms, whereby the customer obtains control of the oil as it is loaded onto the vessel. AASB 15 did not have a significant impact on the Group's accounting policies.

<u>AASB 9 *Financial Instruments*</u>

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. However, it eliminates the previous AASB 139 categories for financial assets of held to maturity, loans and receivables and available for sale. The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of AASB 9 on the classification and measurement of financial assets is set out below.

Classification and measurement of financial assets and financial liabilities

Under AASB 9, on initial recognition, a financial asset is classified as measured at: Amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI to be recognised at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies apply to the subsequent measurement of financial assets held by the Group:

- Financial assets at amortised cost – These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit and loss. Any gain or loss on derecognition is recognised in profit or loss.
- Fair value through profit or loss – These assets are subsequently measured at fair value. Dividends and all other net gains and losses are recognised directly in profit or loss.

13 Changes in significant accounting policies (cont'd)

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost but not to investments in equity investments. Under AASB 9, credit losses are recognised earlier than under AASB 139. The financial assets at amortised cost consist of trade and other receivables, and cash and cash equivalents. Under AASB 9, loss allowances are measured on either of the following bases:

- 12 month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for trade and other receivables at an amount equal to 12 month ECLs. When determining the credit risk of a financial asset, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both the quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, including forward-looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when the financial asset is more than 90 days past due.

At 30 June 2018, no receivables were more than 30 days past due and therefore the ECL at 30 June 2018 was nil. All Ungani sales are made to Trafigura Pte Ltd (Singapore) and to date the Group has always received full consideration for these sales within seven days and there is no reason to believe that this will not continue going forward. The Group also has a receivable from Roc Oil for the remaining $51 million (plus interest) of the purchase price payable on the sale of the 50% interest in the Ungani Oilfield. This amount is payable upon the DMIRS approval and registration of the Ungani production licence transfers. This registration process is the responsibility of Roc Oil and is being progressed as expeditiously as possible and there is no reason to believe that this amount won't be paid in full once this process is completed.

No other receivables are considered to have a material credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables are presented separately in the statement of profit or loss and other comprehensive income. The Group has determined that the effect of adopting AASB 9 did not have a significant impact on the carrying amounts of the financial assets at 1 January 2018.

DIRECTORS' DECLARATION

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

(a) the financial statements and notes set out on pages 8 to 19, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the six month period ended on that date; and

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

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

Signed in accordance with a resolution of the Directors:

Mr Eric Streitberg	Mr Robert Willes
Executive Chairman	Non-Executive Director
Perth	Perth
4 September 2018	4 September 2018

Independent Auditor's Review Report

To the shareholders of Buru Energy Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Buru Energy Limited.

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:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Condensed consolidated statement of financial position as at 30 June 2018
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the half-year ended on that date
- Notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Buru Energy Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Buru Energy Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year 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.

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

KPMG

Jane Bailey

KPMG

Jane Bailey
Partner

Perth

4 September 2018

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

Company Secretary
Mr Shane McDermott

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