

## Directors' Report

For the year ended 31 December 2020

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The Directors present their report together with the consolidated financial statements of the Group comprising Buru Energy Limited (Buru Energy or Group) and its subsidiaries for the year ended 31 December 2020, and the auditor's report thereon. The remuneration report for the year ended 31 December 2020 on pages 19 to 22 forms part of the Directors' report.

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Samantha Tough, Malcolm King, Robert Willes, Joanne Kendrick and Eric Streitberg.

# Directors' Report

For the year ended 31 December 2020

## Directors

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

Name, qualifications and independence status	Experience, special responsibilities and other directorships
<p><b>Mr Eric Streitberg</b> <b>Executive Chairman</b></p> <p>Eric is a Fellow of the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors, a member of the Society of Exploration Geophysicists, Petroleum Exploration Society of Australia and the American Association of Petroleum Geologists.</p> <p>He is a Certified Petroleum Geologist and Geophysicist and holds a Bachelor of Science (App. Geoph.) from the University of Queensland.</p>	<p>Eric has more than 40 years of experience in petroleum geology and geophysics, oil and gas exploration and oil and gas company management. He was a founding shareholder and held the position of Managing Director of ARC Energy Limited which was transformed from a junior oil and gas exploration company into a mid-size Australian oil and gas producer. He was also the founding shareholder and Managing Director of Discovery Petroleum which was a key participant in the renaissance of the Perth Basin as a significant gas producer until the takeover of that company in 1996. Prior to that he held various senior international exploration roles with Occidental Petroleum and BP. He was a founding shareholder and Non-executive Director of Adelphi Energy Limited from 2005 until its takeover in 2010.</p> <p>Eric is a Director and past Chair of the Australian Petroleum Production and Exploration Association and has also chaired the APPEA Exploration and Environment Committees. He is a past Chair of the Marine Parks and Reserves Authority of Western Australia.</p> <p>Eric has been a Director since October 2008 and has been the Executive Chairman since May 2014. He was previously a member of the Audit and Risk Committee and the Remuneration and Nomination Committee until 25 February 2021.</p>
<p><b>Ms Eve Howell</b> <b>Independent Non-executive Director</b></p> <p>(Retiring on 31 March 2021)</p> <p>Eve holds a Bachelor of Science (Geology and Mathematics) from King's College, London and an MBA from Heriot Watt University, Edinburgh. She is a Graduate of the Australian Institute of Company Directors.</p>	<p>Eve has over 40 years of technical and executive experience in the oil and gas industry, initially with Amoco Europe. In Australia, she worked for Apache Energy Ltd in roles including Managing Director and then with Woodside Energy Ltd as Executive Vice President North West Shelf (NWS) and CEO of the NWS Venture. Eve is currently a director of MMA Offshore Ltd. She has previously served as a director of Downer EDI Ltd, Tangiers Petroleum Ltd, Fremantle Port Authority, the Australian Petroleum Production and Exploration Association and President of the Australian Mines and Metals Association.</p> <p>Eve has been a Director since July 2014, is the Chairperson of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee. Ms Howell has given notice to the Company that she will retire from the Board and all Committees as of 31 March 2021.</p>

# Directors' Report

For the year ended 31 December 2020

Name, qualifications and independence status	Experience, special responsibilities and other directorships
<p><b>Ms Joanne Kendrick</b>  <b>Independent Non-executive Director</b></p> <p>(Appointed 22 February 2021)</p> <p>Joanne is a Petroleum/Reservoir Engineer holding a Bachelor of Engineering (Hons) from the University of Adelaide and is a member of the Australian Institute of Company Directors.</p>	<p>Joanne is an experienced industry professional with more than 25 years' experience in technical and executive roles with Woodside Petroleum, Newfield Exploration, Gulf Canada, Clyde Petroleum and Nido Petroleum.</p> <p>Joanne has been directly responsible for managing production operations, exploration drilling and development projects, capital raisings, asset transactions and joint venture interests throughout her career; including as Deputy Managing Director at ASX-listed Nido Petroleum for seven years.</p> <p>She is currently the Managing Director of Blue Star Helium, a Perth-based helium exploration and development company focused on activities in North America.</p> <p>Joanne is a member of the Audit and Risk Committee.</p>
<p><b>Mr Malcolm King</b>  <b>Independent Non-executive Director</b></p> <p>(Appointed 22 February 2021)</p> <p>Malcolm has a Bachelor of Applied Science (Geology) degree from the University of Southern Queensland and a Master of Science (Petroleum Geology) from the University of Aberdeen, Scotland. He is a Member of Australian Institute of Company Directors and a graduate of the Australian Institute of Company Directors Director Program.</p>	<p>Malcolm has 35 years of upstream oil and gas experience, mostly with Shell in technical, commercial and leadership roles across Asia and Australia. His Shell experience spans the exploration &amp; production and gas &amp; power businesses, participating in and leading exploration and M&amp;A campaigns, and working extensively in LNG operations, business development and market development. More recently Malcolm led Senex Energy's commercial and business development functions for the Cooper Basin oil and Queensland coal seam gas businesses. He currently provides consulting services to the energy industry and is an independent director on the board of Triangle Energy (Global) Ltd.</p> <p>Malcolm is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee.</p>
<p><b>Ms Samantha Tough</b>  <b>Independent Non-executive Director</b></p> <p>(Appointed 23 February 2021)</p> <p>Samantha completed a Bachelor of Laws and Bachelor of Jurisprudence at the University of Western Australia. She is a Fellow of the Australian Institute of Company Directors.</p>	<p>Samantha worked as a barrister and solicitor before progressing to the commercial sector and has extensive experience across the energy and resources sectors. She held senior executive roles at Woodside Petroleum, Hardman Resources and the Commonwealth Bank. She is a director of the Clean Energy Finance Corporation and COAG National Energy Selection Panel. She is the Pro Vice Chancellor of Engagement at the University of Western Australia and Chair of Horizon Power. She has detailed knowledge of regional Western Australia and has served on the boards of several businesses and non-government organisations. Samantha brings to Buru a broad understanding of the oil and gas industry and a strong contribution to Buru's ability to access the wider opportunities in the energy sector.</p> <p>Samantha is a member of the Remuneration and Nomination Committee and will assume the role of Chair following Eve Howell's pending retirement on 31 March 2021.</p>

# Directors' Report

For the year ended 31 December 2020

Name, qualifications and independence status	Experience, special responsibilities and other directorships
<p><b>Mr Robert Willes</b> <b>Independent Non-executive Director</b></p> <p>Robert is a Graduate of the Australian Institute of Company Directors and member of the Association of International Petroleum Negotiators. He holds an Honours Degree in Geography from Durham University in the UK and has completed Executive Education Programmes at Harvard Business School in the USA and Cambridge University in the UK.</p>	<p>Robert has over 30 years of extensive international experience in the oil and gas and energy industries, covering senior commercial and leadership positions with BP as well as ASX and government board roles. His BP career included exploration &amp; production, gas &amp; power and global M&amp;A, with responsibility for numerous complex deals such as divestments, farm-ins, asset swaps, new acreage bids, unitisations, gas and LNG sales.</p> <p>A former Managing Director of Challenger Energy Ltd and CEO of Eureka Energy Limited, Robert is also a director of the Mid West Ports Authority and has served on a number of boards including the Australian Petroleum Production and Exploration Association, North West Shelf Gas Pty Ltd, North West Shelf Liaison Co. Pty Ltd, North West Shelf Australia LNG Pty Ltd, North West Shelf Shipping Services Co. Pty Ltd, Carbon Reduction Ventures Pty Ltd and Perth Centre for Photography.</p> <p>Robert has been a Director since July 2014, is the Chairperson of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.</p>

## Company Secretary

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

## Board and Committee Meetings

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

Meeting	Board Meetings		Audit & Risk Committee Meetings		Remuneration & Nomination Committee Meetings	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Eric Streitberg	14	14	5	5	3	3
Eve Howell	14	14	5	5	3	3
Robert Willes	14	14	5	5	3	3

## Principal Activities

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

## Review of Operations

The Review of Operations for the year ended 31 December 2020 is set out on pages 3 to 10 and forms part of this Directors' Report.

## Operating Results

The consolidated loss of the Group after providing for income tax for the year ended 31 December 2020 was \$28,823,000 which included a one off non-cash impairment to capitalised development expenditure of \$20,000,000 (31 December 2019: loss of \$27,534,000 which included a one off non-cash impairment to capitalised exploration expenditure of \$6,036,000).

## Financial Position

The net assets of the Group totalled \$38,605,000 as at 31 December 2020 (31 December 2019: \$67,428,000).

## Dividends

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

## Significant Changes in the State of Affairs

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

## After Balance Date Events

Other than the appointment of three additional non-executive Directors in February, no significant events have occurred subsequent to balance date that in the opinion of the directors has significantly affected, or may significantly affect in future financial years:

- The Group's operations; or
- The results of those operations; or
- The Group's state of affairs.

## Likely Developments

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

## Environmental Regulations

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

## Directors' Report

For the year ended 31 December 2020

### Directors' Interests

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

Directors	Ordinary Shares	Unlisted Options
Eric Streitberg	21,225,409	-
Eve Howell	294,000	-
Robert Willes	132,000	-
Malcolm King	-	-
Joanne Kendrick	-	-
Samantha Tough	-	-
<b>Total</b>	<b>21,651,409</b>	<b>-</b>

### Share Options

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

Date of Expiry	Exercise Price	Number of shares under Option
31 December 2021	\$0.40	4,850,000
31 December 2023	\$0.23	8,000,000

All share options are over ordinary shares in the Company. All options are unlisted and expire on the earlier of their expiry date or within 30 days from termination of the employee's employment. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate. Further details about options granted to senior executives during the financial year are included in the Remuneration Report on pages 19 to 22.

Subsequent to the end of the reporting period, and included in the table above, a total of 8,000,000 unlisted options have been granted to employees of the Company under the terms of the Company's Employee Share Option Plan (ESOP). No options have been granted to the Executive Chairman or any other Director.

### **Indemnification and Insurance of Officers**

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

During the year, the Company has paid insurance premiums of \$109,335 (2019: \$98,615) in respect of Directors' and officers' liability. The premiums cover current and former Directors and officers, including senior executives of the Company and Directors and secretaries of its controlled entities. The insurance premiums relate to:

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

### **Proceedings on Behalf of Company**

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

### **Non-audit Services**

During the period, the Company's auditor did not perform any other services in addition to their statutory full year audit, half year review, Joint Venture audits and royalty audits. During the year ended 31 December 2020, the amount paid or payable to the Group's auditor (KPMG Australia) for statutory and other audit and review services totalled \$88,667 (2019: \$88,667).

### **Qualified Petroleum Resources Evaluator Statement**

Except where otherwise noted, information in this Annual Report related to exploration and production results and petroleum resources is based on information compiled by Eric Streitberg who is an employee of Buru Energy Limited. Mr Streitberg is a Fellow of the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors, and a member and Certified Petroleum Geologist of the American Association of Petroleum Geologists. He has over 40 years of relevant experience. Mr Streitberg consents to the inclusion of the information in this document.

# Directors' Report

For the year ended 31 December 2020

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## Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 23 and forms part of the Directors' Report for the year ended 31 December 2020.

## Rounding off

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

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



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Mr Eric Streitberg  
Executive Chairman  
Perth  
17 March 2021



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Mr Robert Willes  
Non-executive Director  
Perth  
17 March 2021