Notes to the Financial Statements

For the year ended 31 December 2020

Basis of Preparation

Buru Energy Limited (Buru Energy or the Company) is a for profit company domiciled in Australia. The address of the Company's registered office is Level 2, 16 Ord Street, West Perth, Western Australia. The consolidated financial statements of the Company as at, and for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in jointly controlled entities. The Group is primarily involved in oil and gas exploration and production in the Canning Basin in the Kimberley region of northwest Western Australia.

This section sets out the basis upon which the Group's financial statements are prepared as a whole. Significant accounting policies and key judgements and estimates of the Group that summarise the measurement basis used and assist in understanding the financial statements are described in the relevant note to the financial statements or are otherwise provided in this section. The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB). The financial statements were approved by the Board of Directors on 17 March 2021. The accounting policies have been applied consistently by Group entities to all periods presented in these consolidated financial statements. The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Financial assets are measured at fair value; and
- Share-based payments are measured at fair value.

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

Basis of Consolidation

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

Functional and Presentation Currency

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

Use of Estimates and Judgements

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

- Note 5 – Recognition of tax losses
- Note 6 – Oil and gas assets
- Note 7 – Exploration and evaluation expenditure
- Note 8 - Right-of-use assets
- Note 17 – Provisions
- Note 18 – Measurement of share-based payments

Results for the Year

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

1. Segment Information

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

The Group has only one reportable geographical segment being the Canning Basin in northwest Western Australia. The reportable operating segments are based on the Group's strategic business units: oil production and exploration. The following summary describes the operations in each of the Group's reportable operating segments:

- Oil Production: Development and production of the Ungani Oilfield.
- Exploration: The exploration program is focused on prospects along the Ungani oil trend, the Yulleroo area where gas resources have been identified in the Laurel Formation, the Lennard Shelf area including the shut-in Blina and Sundown Oilfields 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 unallocated segment represents a reconciliation of reportable segments revenues, profit or loss and assets to the consolidated figures.

Profit or loss	**Oil Production**		**Exploration**		**Unallocated**		**Total**	
in thousands of AUD	**Dec 20**	**Dec 19**	**Dec 20**	**Dec 19**	**Dec 20**	**Dec 19**	**Dec 20**	**Dec 19**
External revenues	11,304	13,776	-	-	-	-	**11,304**	**13,776**
Cost of sales	(6,853)	(7,425)	-	-	-	-	**(6,853)**	**(7,425)**
Movement in crude inventories	(944)	1,199					**(944)**	**1,199**
Amortisation of oil and gas assets	(5,746)	(5,476)	-	-	-	-	**(5,746)**	**(5,476)**
Gross Profit / (Loss)	**(2,239)**	**2,074**	**-**	**-**	**-**	**-**	**(2,239)**	**2,074**
Exploration and evaluation expenditure	-	-	(3,453)	(16,879)	-	-	**(3,453)**	**(16,879)**
Impairment of exploration and evaluation expenditure	-	-	(720)	(6,036)	-	-	**(720)**	**(6,036)**
Impairment of oil and gas expenditure	(20,000)	-	-	-	-	-	**(20,000)**	**-**
Increase in provisions against inventories	-	-	(907)	(907)	-	-	**(907)**	**(907)**
Depreciation expense	-	-	-	-	(1,288)	(1,403)	**(1,288)**	**(1,403)**
Corporate and administrative expenditure	-	-	-	-	(388)	(4,467)	**(388)**	**(4,467)**
Share based payment expenses	-	-	-	-	-	(638)	**-**	**(638)**
Movement in fair value of financial assets	-	-	-	-	(53)	13	**(53)**	**13**
EBIT	**(22,239)**	**2,074**	**(5,080)**	**(23,822)**	**(1,729)**	**(6,495)**	**(29,048)**	**(28,243)**
Net finance income / (expense)	-	-	-	-	225	709	**225**	**709**
Reportable segment profit / (loss) before tax	**(22,239)**	**2,074**	**(5,080)**	**(23,822)**	**(1,504)**	**(5,786)**	**(28,823)**	**(27,534)**

Total Assets	**Oil Production**		**Exploration**		**Unallocated**		**Total**	
in thousands of AUD	**Dec 20**	**Dec 19**	**Dec 20**	**Dec 19**	**Dec 20**	**Dec 19**	**Dec 20**	**Dec 19**
Current assets	337	1,199	1,488	2,411	27,272	33,381	**29,097**	**36,991**
Oil and gas assets	19,328	41,966	-	-	-	-	**19,328**	**41,966**
Exploration and evaluation assets	-	-	-	720	-	-	**-**	**720**
Property, plant and equipment	-	-	-	-	3,532	3,552	**3,532**	**3,552**
Financial assets	-	-	-	-	-	53	**-**	**53**
Total Assets	**19,665**	**43,165**	**1,488**	**3,131**	**30,804**	**36,986**	**51,957**	**83,282**
Capital Expenditure	**3,108**	**15,927**	**-**	**720**	**-**	**140**	**3,108**	**16,787**
Total Liabilities								
Current liabilities	4,067	4,330	1,691	2,412	2,042	3,513	**7,800**	**10,255**
Lease liabilities (Non-current)	615	964	176	-	87	-	**878**	**964**
Loans and borrowings (Non-current)	-	-	-	-	-	-	**-**	**-**
Provisions (Non-current)	1,503	1,381	2,876	3,016	295	238	**4,674**	**4,635**
Total Liabilities	**6,185**	**6,675**	**4,743**	**5,428**	**2,424**	**3,751**	**13,352**	**15,854**

2. Revenue

in thousands of AUD	**31 Dec 2020**	**31 Dec 2019**
Sales of crude oil	11,716	13,265
Timing effect of revenue	(412)	511
	11,304	13,776

Accounting Policy

Revenue is recognised when a customer obtains control of the goods of services. Under the existing contract, the sale of oil is recognised on Free on Board (FOB) terms, whereby the customer obtains control of the oil as it is loaded onto the vessel. Revenue from the sale of crude oil in the course of ordinary activities is recognised in the income statement at the consideration in the contract received or receivable. The price received FOB Wyndham represents the realised Brent linked oil price less the buyer's marine transport discount. Contract terms for crude sales allow for a final price adjustment after the date of sale, based on average Brent Platts in the month the crude is sold and final volume. The adjustment between the provisional and final price is separately disclosed as timing effect of revenue. Payment terms for invoices are thirty days from the Bill of Lading date.

3. Corporate and Administrative Expenditure

in thousands of AUD	31 Dec 2020	31 Dec 2019
Corporate and other administration expenses	1,676	5,870

The above expense excludes share-based payments disclosed at note 18.

Corporate and administrative expenditure was significantly reduced during the year as the Company took decisive cost cutting measures to preserve the Company's balance sheet. Corporate and office staff including the Executive Chairman and the Board had their remuneration reduced between 20% to 75% for up to 6 months, and other non-personnel overheads were also reduced to the full extent practicable.

As part of its response to COVID-19, the Australian Government announced various stimulus measures resulting from the economic fallout from the coronavirus lockdown. One such stimulus measure was the payment of subsidies to qualifying employers under the JobKeeper Payment scheme (JobKeeper). The initial JobKeeper payments were a wage subsidy whereby employers who qualified for the stimulus received $1,500 per fortnight for each eligible employee who was employed by the company during the period April 2020 to September 2020. In July 2020, the Australian Government announced it would extend JobKeeper until December 2020 at $1,200 per fortnight and to March 2021 at $1,000 per fortnight, targeting support to those businesses which continue to be significantly impacted. The Company qualified for the JobKeeper Payment scheme for the period April 2020 to December 2020. However, as a result of improving global crude oil prices, the Company will not qualify for the period January 2021 to March 2021.

JobKeeper payments are government grants and are accounted for under AASB 120 Accounting for Government Grants and Disclosure of Government Assistance. Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. The Company has determined that it is eligible to receive the initial JobKeeper payments, which totalled $1,060,000 in the period to 31 December 2020. Employee expenses in the period have been presented net of the JobKeeper payments received.

Total personnel expenses for the 2020 year amounted to $6,580,000, (2019: $9,129,000) prior to amounts received under the JobKeeper payment scheme and Joint Venture reimbursements. Net personnel expenses are included in Cost of Sales, Exploration and Evaluation Expenditure and Corporate and Administrative Expenditure.

4. Net Finance Income / (Expense)

in thousands of AUD	31 Dec 2020	31 Dec 2019
Finance Income		
Interest income on bank deposits and receivables	275	1,201
	275	1,201
Finance Expense		
Interest expense on borrowings (note 16)	(86)	(225)
Interest income / (expense) on lease liabilities	45	(118)
Net foreign exchange loss	(9)	(149)
	(50)	(492)
Net finance income / (expense) recognised in profit or loss	225	709

Accounting Policy

Finance income comprises interest income on funds invested (including financial assets). Interest income is recognised as it accrues in profit or loss, using the effective interest method. All borrowing costs are recognised in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis.

5. Taxation

in thousands of AUD	31 Dec 2020	31 Dec 2019
Current income tax		
Current income tax charge	-	-
Adjustments in respect of previous current income tax	-	-
	-	-
Deferred income tax		
Tax relating to origination and reversal of temporary differences	-	-
	-	-
Total income tax expense reported in equity	**-**	**-**
Numerical reconciliation between tax expense and pre-tax accounting profit		
Accounting profit / (loss) before tax	(28,823)	(27,534)
Income tax (expense) / benefit using the domestic corporation tax rate of 30%	8,647	8,260
(Increase) / decrease in income tax due to:		
Non-deductible expenses	(2)	(194)
Temporary differences and tax losses not brought to account as a DTA	(8,645)	(8,066)
Tax losses utilised	-	-
Income tax benefit / (expense) on pre-tax loss	-	-

Accounting Policy

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

Unrecognised net deferred tax assets

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

in thousands of AUD	31 Dec 2020	31 Dec 2019	Movement
Deferred tax assets			
Business related costs	1	3	(2)
Accruals	15	37	(22)
Provisions	1,962	1,861	101
Development expenditure	5,020	214	4,806
Exploration expenditure	216	-	216
Lease liabilities	637	652	(15)
Tax losses	46,200	42,602	3,598
Unrealised foreign exchange	22	-	22
	54,073	45,369	8,704
Deferred tax liabilities			
Property, plant and equipment	(310)	(328)	18
Investments in listed entities	(24)	(39)	15
Prepayments	-	-	
Rehabilitation	(474)	(431)	(43)
Lease assets	(644)	(616)	(28)
	(1,452)	(1,414)	(38)
Net DTA not brought to account	52,621	43,955	8,666

Accounting Policy

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

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

Tax consolidation

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

Tax effect accounting by members of the Consolidated Group

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

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.

6. Oil and Gas Assets

in thousands of AUD	31 Dec 2020	31 Dec 2019
Carrying amount at beginning of the period	41,966	31,398
Impairment of oil and gas assets	(20,000)	-
Development expenditure	3,108	15,927
Transfer from property, plant and equipment	-	117
Amortisation expense	(5,746)	(5,476)
Carrying amount at the end of the period	19,328	41,966

Accounting Policy

Oil and gas assets are measured at cost less amortisation and impairment losses. The assets' useful lives are reviewed, and adjusted if appropriate, at each reporting date. The carrying amount of oil and gas assets is reviewed bi-annually. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and included in the profit or loss. Oil and gas assets are amortised over their estimated life according to the rate of depletion of the proved and probable hydrocarbon reserves. When no reserves are certified, oil and gas assets are amortised on a straight-line basis over their estimated useful life until such time when reserves are certified. Retention of petroleum assets is subject to meeting certain work obligations/ commitments.

The estimated quantities of proved and probable hydrocarbon reserves and resources reported by the group are integral to the calculation of amortisation (depletion) and assessments of possible impairments. Estimated reserves and resources quantities are based upon interpretations of geological and geophysical models and assessment of the technical feasibility and commercial viability of producing the reserves and resources. Management prepares estimates which conform to guidelines prepared by the Society of Petroleum Engineers. These assessments require assumptions to be made regarding future development and production costs, commodity prices, exchange rates and fiscal regimes. The estimates of reserves and resources may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of operations. The Ungani Oilfield does not currently have certified reserves and is therefore currently being amortised on a straight-line basis over a 10 year period.

Impairment recorded against the Ungani Oilfield

As a result of the COVID-19 pandemic and the very significant fall in global crude prices during 2020, and lower production rates than expected from the Ungani 7 well, the Company conducted a detailed review of the recoverable amount of the Ungani Oilfield Cash Generating Unit (CGU) as at 30 June 2020 and 31 December 2020. These assessments indicated that the asset was unlikely to recover its pre-impairment carrying value in full and a non-cash impairment of $20,000,000 was recorded for the year ($16,250,000 at 30 June 2020 and $3,750,000 at 31 December 2020). The recoverable amount for the Ungani Oilfield CGU is based on a Fair Value Less Cost to Dispose (FVLCD) discounted cash flow calculation. This approach is categorised as a Level 3 fair value using the income approach, based on the inputs in the valuation technique, in accordance with AASB 13 Fair value measurement. The post-impairment carrying value of the Ungani Oilfield as at 31 December 2020 represents its recoverable amount. The FVLCD valuation will result in a higher fair value than the Value in Use (VIU) valuation.

The impairment assessment required management to make estimates regarding the present value of future cash flows. These estimates require significant management judgement and assumptions about expected production and sales volumes, oil prices, operating costs, future capital expenditure, rehabilitation costs and allocation of corporate costs. These estimates and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying amount of the assets may be further impaired or the impairment charge reversed with the impact recorded in the Consolidated Income Statement.

The basis for the estimates used to determine the recoverable amount of the Ungani Oilfield is set out below:

- Estimated production volumes are based on the estimated life of the asset as determined by management. Production volumes are influenced by further capital expenditure, production input costs and the estimated selling price of oil produced. The production rates used over the life of the asset in the FVLCD determinations range between 1,500 bopd and 1,000 bopd gross to the Joint Venture (Company's share 50%).
- The oil prices used in the FVLCD determinations are derived from a range of prices published by market commentators. Prices are adjusted for premiums and discounts based on the nature and quality of the product. The nominal Brent oil prices (US$/bbl) used were:

	2021	2022	2023	2024	2025	2026 – 2027
Oil price (US$/bbl)	$53	$57	$58	$60	$60	$64

- The foreign exchange rates used in the FVLCD determinations was $0.75 (US$:AU$) and was derived from rates published by market commentators.
- A pre-tax nominal discount rate of 11.5% was used. The discount rate was derived from the Company's estimated pre-tax nominal weighted average cost of capital (WACC), with appropriate adjustments made to reflect risks specific to the CGU, that are not in the underlying cash flows.
- An inflation rate of 2.5% was used.

The determination of FVLCD for the Ungani Oilfield was most sensitive to oil prices, foreign exchange rates and production volumes.

7. Exploration and Evaluation Expenditure

in thousands of AUD	**31 Dec 2020**	**31 Dec 2019**
Carrying amount at beginning of the period	720	6,036
Exploration assets acquired	-	720
Impairment of exploration expenditure	(720)	(6,036)
Movement in rehabilitation provision for exploration assets	-	-
Carrying amount at the end of the period	-	720

Accounting Policy

Exploration and evaluation expenditure in respect of each area of interest is accounted for using the successful efforts method of accounting. The successful efforts method requires all exploration and evaluation expenditure to be expensed in the period it is incurred, except the costs of successful wells and the costs of acquiring interests in new exploration assets, which are capitalised as intangible exploration and evaluation. The costs of wells are initially capitalised pending the results of the well. An area of interest refers to an individual geological area where the presence of oil or a natural gas field is considered favourable or has been proved to exist, and in most cases will comprise an individual prospective oil or gas field. Exploration and evaluation expenditure is recognised in relation to an area of interest when the rights to tenure of the area of interest are current and either:

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

Where an ownership interest in an exploration and evaluation asset is exchanged for another, the transaction is recognised by reference to the carrying value of the original interest. Any cash consideration paid, including transaction costs, is accounted for as an acquisition of exploration and evaluation assets. Any cash consideration received, net of transaction costs, is treated as a recoupment of costs previously capitalised with any excess accounted for as a gain on disposal of non-current assets. The carrying amounts of the Group's exploration and evaluation assets are reviewed at each reporting date to determine whether any of the following indicators of impairment exists:

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

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made and any resultant impairment loss is recognised in the income statement. When a discovered oil or gas field enters the development phase the accumulated exploration and evaluation expenditure is transferred to oil and gas assets. Determining the recoverability of exploration and evaluation expenditure capitalised requires estimates and judgements as to future events and circumstances, in particular, whether successful development and commercial exploitation or sale of the respective area of interest is likely. Critical to this assessment are estimates and assumptions as to the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. If, after having capitalised the expenditure a judgement is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the income statement.

Impairment recorded against capitalised Exploration and Evaluation Expenditure

As a result of the COVID-19 pandemic and the very significant fall in global crude prices in early 2020, the EP 457 and EP 458 Joint Venture agreed to defer all discretionary on-ground exploration expenditure on these permits. Therefore, as at 30 June 2020 reporting date, an impairment expense of $720,000 against capitalised exploration and evaluation expenditure was recorded.

8. Property, Plant and Equipment (PPE)

in thousands of AUD	Plant and equipment	Right-of-use assets	Other	Cultural assets	Intangible Assets	Total
Cost						
Carrying amount at 1 Jan 2019	3,459	-	1,703	877	897	6,936
Adjustment on applying AASB 16	-	3,227	-	-	-	3,227
Additions	104	36	-	-	-	140
Disposals	(1,904)	-	(1,698)	-	(897)	(4,499)
Transfers	(253)	-	-	-	-	(253)
Balance at 31 Dec 2019	1,406	3,263	5	877	-	5,551
Carrying amount at 1 Jan 2020	1,406	3,263	5	877	-	5,551
Additions	-	1,273	-	-	-	1,273
Disposals	-	-	(5)	-	-	(5)
Balance at 31 Dec 2020	1,406	4,536	-	877	-	6,819
Depreciation						
Carrying amount at 1 Jan 2019	(1,873)	-	(1,659)	-	(897)	(4,429)
Depreciation for the period	(185)	(1,210)	(10)	-	-	(1,405)
Disposal	1,138	-	1,664	-	897	3,699
Transfer	136	-	-	-	-	136
Balance at 31 Dec 2019	(784)	(1,210)	(5)	-	-	(1,999)
Carrying amount at 1 Jan 2020	(784)	(1,210)	(5)	-	-	(1,999)
Depreciation for the period	(111)	(1,182)	5	-	-	(1,288)
Disposal	-	-	-	-	-	-
Balance at 31 Dec 2020	(895)	(2,392)	-	-	-	(3,287)
Carrying amounts						
At 31 December 2019	622	2,053	-	877	-	3,552
At 31 December 2020	511	2,144	-	877	-	3,532

Accounting Policy

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

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

- plant & equipment 10 – 30 years
- right-of-use assets 1 – 4 years
- other 3 – 20 years
- intangibles 5 years
- cultural assets not depreciated

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

The Group's accounting policy under AASB 16 as lessee is as follows:

For any new contracts entered into as a lessee, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluation criteria which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate of 3.00%.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. Lease liabilities are shown directly on the statement of financial position (current and non-current).

9. Financial Assets

in thousands of AUD	31 Dec 2020	31 Dec 2019
Non-Current		
Financial assets - FVTPL	-	53
	-	53

The Group's financial assets fair value through profit or loss (FVTPL) comprise of Australian Securities Exchange (ASX) listed shares held in New Standard Energy Limited (NSE). NSE shares have been impaired during the year due to the extended period of inactivity from the company and its continued trading suspension on the ASX.

10. Trade and Other Receivables

in thousands of AUD	31 Dec 2020	31 Dec 2019
Accrued income	82	-
Interest receivable	23	70
Joint operation receivables	238	-
GST receivable	53	296
Prepayments	405	221
Receivable from Origin in recognition of past exploration costs (1)	1,000	-
Receivable from Origin in recognition of specific past well costs (2)	593	-
Receivable from Origin for initial payment towards farm-in (2)	3,407	-
Other receivables	125	377
Total	5,926	964

1 *In consideration for exploration expenditure incurred by Buru prior to the Origin farm-out, Origin agreed to make a one-off payment of $1,000,000 to Buru. This amount is payable upon DMIRS approval and registration of the permit transfers. Whilst DMIRS approval is still in progress, beneficial ownership, including the passing of risks and rewards of ownership, occurred on the farm-out completion date of 21 December 2020 and a receivable is recognised in the period.*

2 *By no later than 10 business days after the farm-out completion date of 21 December 2020, Origin was required to pay $4,000,000 representing a portion of the farm-in amount to Buru which is applied to Origin's obligation to pay the farm-in amount. Included in the $4,000,000 was $593,000 which related to specific well costs already incurred by the Group prior to 31 December 2020. Subsequent to the end of the reporting period, the total amount of $4,000,000 has been received in full.*

The Group's exposure to credit and currency risks and impairment losses related to trade receivables are disclosed in note 25.

11. Inventories

in thousands of AUD	31 Dec 2020	31 Dec 2019
Materials and consumables at net realisable value	1,488	2,411
Petroleum products at cost	255	1,199
	1,743	3,610

Accounting Policy

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

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

Materials and consumables are accounted for on a FIFO basis. During the year, the Group tested its inventories for impairment and wrote down materials and consumables inventories to their net realisable value, which resulted in an increase in provisions against inventories of $907,000 (2019: $907,000).

12. (a) Cash and Cash Equivalents

in thousands of AUD	31 Dec 2020	31 Dec 2019
Bank balances	3,715	2,472
Term deposits available at call	17,713	29,945
Cash and cash equivalents in the statement of cash flows	21,428	32,417

The Group's exposure to interest rate risk and sensitivity analysis for financial assets is disclosed in note 25.

(b) Reconciliation of Cash Flows from Operating Activities

in thousands of AUD	Note	31 Dec 2020	31 Dec 2019
Cash flows from operating activities			
Income / (Loss) for the period		(28,823)	(27,534)
Adjustments for:			
Depreciation	8	1,288	1,405
Amortisation on development expenditure	6	5,746	5,476
Increase in provisions against inventories	11	907	907
Impairment of oil and gas assets	6	20,000	-
Impairment of exploration expenditure	7	720	6,036
(Gain) / loss on asset disposal		-	800
Share based payment expenses		-	638
Pursuant to Origin Farm-in Agreement reimbursement of past exploration costs	10	(1,000)	-
Pursuant to Origin Farm-in Agreement reimbursement of past well costs	10	(593)	-
Net finance (income) / costs	4	(225)	(709)
Operating loss before changes in working capital and provisions		(1,980)	(12,981)
Changes in working capital			
Change in trade and other receivables		(686)	1,459
Change in trade and other payables		(679)	491
Change in inventories		960	(2,141)
Change in provisions		136	(80)
Change in financial assets		52	(13)
Cash used in operating activities		(217)	(284)
Net cash outflow from operating activities		(2,197)	(13,265)

13. Capital and Reserves

Share capital

	Ordinary Shares 31 Dec 2020 No.	Ordinary Shares 31 Dec 2019 No.
On issue at the beginning of the period	432,074,241	432,074,241
On issue at the end of the period – fully paid	432,074,241	432,074,241

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.

14. Earnings / (Loss) Per Share

in thousands of AUD	31 Dec 2020	31 Dec 2019
Earnings / (loss) attributable to ordinary shareholders	(28,823)	(27,534)

Basic and diluted earnings / (loss) per share

Weighted average number of ordinary shares

	31 Dec 2020 No.	31 Dec 2019 No.
Issued ordinary shares at beginning of the period	432,074,241	432,074,241
Weighted average number of ordinary shares at the end of the period	432,074,241	432,074,241

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

The Company's potential ordinary shares, being 4,850,000 options granted, are not considered dilutive as the options were 'out of the money' as at 31 December 2020.

15. Trade and Other Payables

in thousands of AUD	31 Dec 2020	31 Dec 2019
Trade payables	337	1,443
Accruals	950	2,921
Origin Joint Venture cash calls received in advance (see note 10)	3,407	783
Other payables	50	328
	4,744	5,475

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 25.

16. Loans and Borrowings

in thousands of AUD	31 Dec 2020	31 Dec 2019
Borrowings at beginning of the year	2,000	5,000
Interest expense	86	225
Repayment to Alcoa	(2,086)	(3,225)
Loan at the end of the year	-	2,000

Accounting Policy

Loans and borrowings are initially recognised at fair value less transaction costs and are subsequently carried at amortised cost. The Group's exposure to currency and liquidity risk related to loans and borrowings is disclosed in note 25.

All borrowings relating to the amount payable to Alcoa under a legacy gas sales agreement was repaid during the year. As at 31 December 2020, the Company has no outstanding loans or borrowings.

17. Provisions

in thousands of AUD	31 Dec 2020	31 Dec 2019
Current		
Provision for annual leave	1,134	881
Provision for long-service leave	185	166
Provision for site restoration	493	523
	1,812	1,570
Non-Current		
Provision for long-service leave	295	238
Provision for site restoration	4,379	4,397
	4,674	4,635

Movements in the site restoration provision

in thousands of AUD	31 Dec 2020	31 Dec 2019
Opening balance	4,920	4,998
Provision used during the period	(65)	(791)
Revaluation of provision during the period	17	713
Balance at the end of the period	4,872	4,920

Accounting Policy

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and that the obligation can be measured reliably.

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

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

18. Share-based Payments

Fair value expensed in thousands of AUD	**31 Dec 2020**	**31 Dec 2019**
Employee Share Option Plan expense	-	638
	-	638

Accounting Policy

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group. When the Company grants options over its shares to employees of subsidiaries, the fair value at grant date is recognised as an increase in the investments in subsidiaries, with a corresponding increase in equity over the vesting period of the grant. The fair value of share options granted under the Employee Share Option Plan are measured using the Black Scholes valuation model. Measurement inputs include share price on a measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information) weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Employee Share Option Plan (ESOP)

No share options were issued or exercised during the year.

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

	Weighted average exercise price ($)	**Number of options**
Outstanding unlisted options as at 1 January 2020	0.45	10,750,000
Lapsed during the period ended 31 December 2020	0.50	(4,900,000)
Lapsed during the period ended 31 December 2020	0.40	(1,000,000)
Outstanding as at 31 December 2020	0.40	4,850,000

The unlisted share options outstanding as at 31 December 2020 have a weighted average exercise price of $0.40 (Dec 2019: $0.45), and a weighted average contractual life of 1 year (Dec 2019: 1.5 years).

19. Group Entities

Parent entity	Country of incorporation	Ownership interest	Ownership interest
Buru Energy Limited	Australia		
Subsidiaries		**31 Dec 2020**	**31 Dec 2019**
Royalty Holding Company Pty Limited	Australia	100%	100%
Buru Operations Pty Limited	Australia	100%	100%
Noonkanbah Diamonds Pty Ltd	Australia	100%	100%
Buru Fitzroy Pty Limited	Australia	100%	100%
Acorn Minerals Pty Limited	Australia	100%	0%

Buru Energy Limited is the head entity of the tax consolidated group and all subsidiaries are members of the tax consolidated group. Acorn Minerals Pty Limited was incorporated during the year to hold mineral exploration tenements in the Canning Basin.

20. Parent Entity Disclosures

As at, and throughout the year ended 31 December 2020 the parent company of the Group was Buru Energy Limited.

in thousands of AUD	Company 12 months ended 31 Dec 2020	Company 12 months ended 31 Dec 2019
Result of the parent entity		
Total comprehensive profit / (loss) for the period	(27,630)	(26,323)
Financial position of the parent entity at year end		
Current assets	29,603	36,985
Total assets	51,956	81,468
Current liabilities	7,800	8,441
Total liabilities	13,351	14,040
Total equity of the parent entity at year end		
Share capital	271,857	271,857
Reserves	528	1,094
Accumulated losses	(233,780)	(205,523)
Total equity	38,605	67,428

21. Joint Operations

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

The consolidated entity has an interest in the following joint operations as at 31 December 2020 whose principal activities were oil and gas exploration, development and production.

Permit/Joint Operation	December 2020 Beneficial Interest	December 2019 Beneficial Interest	Operator	Country
L20	50.00%	50.00%	Buru Energy Ltd	Australia
L21	50.00%	50.00%	Buru Energy Ltd	Australia
EP 129 [1,4]	50.00%	100.00%	Buru Energy Ltd	Australia
EP 391 [1,3]	50.00%	100.00%	Buru Energy Ltd	Australia
EP 428 [1,3]	50.00%	100.00%	Buru Energy Ltd	Australia
EP 431 [1]	50.00%	100.00%	Buru Energy Ltd	Australia
EP 436 [1]	50.00%	100.00%	Buru Energy Ltd	Australia
EP 457 [2]	60.00%	60.00%	Buru Fitzroy Pty Ltd	Australia
EP 458 [2]	60.00%	60.00%	Buru Fitzroy Pty Ltd	Australia

1 *Pending DMIRS registration of the transfer of 50% interests to Origin Energy in these permits*

2 *Buru's interest in EP 457 and EP 458 will reduce to 40% following farm-out of 20% interests to Origin Energy in these permits*

3 *Origin Energy's interests in EP 391 and EP 436 exclude the Yulleroo Gasfield Area*

4 *Buru's interest in EP 129 exclude the Backreef Area*

22. Capital and Other Commitments

in thousands of AUD	**31 Dec 2020**	**31 Dec 2019**
Exploration expenditure commitments		
Contracted but not yet provided for and payable:		
Within one year	1,700	333
One year later and no later than five years	280	3,467
	1,980	3,800

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. The commitments within one year above primarily relate to exploration commitments on EP 129, EP 457 and EP 458.

23. Contingencies

There were no material contingent liabilities or contingent assets for the Group as at 31 December 2020 (31 Dec 2019: nil).

24. Related Parties

Key management personnel compensation

The key management personnel compensation comprised:

in AUD	**31 Dec 2020**	**31 Dec 2019**
Short term employee benefits	1,552,153	1,829,514
Post-employment benefits	138,418	168,683
Long term employee benefits	31,979	31,435
Share-based payments	-	98,037
	1,722,550	2,127,669

Individual Directors and executives compensation disclosures

Information regarding individual Directors and executives compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the Remuneration Report section of the Directors' report on pages 19 to 22.

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

Other related party transactions

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

25. Financial Risk Management

Credit risk

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

		Carrying amount	
in thousands of AUD	Note	31 Dec 2020	31 Dec 2019
Cash and cash equivalents and term deposits at call	12a	21,428	32,417
Trade and other receivables	10	5,926	964
		27,354	33,381

The Group's cash and cash equivalents and term deposits at call are held with bank and financial institution counterparties, which are rated at least AA-, based on rating agency Fitch Ratings.

Trade and other receivables include accrued income on sales of Ungani crude, accrued interest receivable from Australian accredited banks, JV receivables and tax amounts receivable from the Australian Taxation Office. The Group has elected to measure loss allowances for trade and other receivables at an amount equal to the 12 month Expected Credit Loss (ECL). 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.

As at 31 December 2020, no receivables were more than 30 days past due. The Group has always received full consideration for all Ungani sales within thirty days and there is no reason to believe that this will not continue going forward. No receivables are considered to have a material credit risk.

Liquidity risk

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

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

	31 Dec 2020		**31 Dec 2019**	
in thousands of AUD	**Less than 1 year**	**1 - 5 years**	**Less than 1 year**	**1 - 5 years**
Alcoa liability	-	-	2,000	-
Lease liabilities	1,244	878	1,210	964
Trade and other payables	4,744	-	5,475	-
	5,988	878	8,685	964

The borrowings from Alcoa of Australia Limited were repaid in full during the year (Note 16).

Market risk

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

Currency risk

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

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

	31 Dec 2020		31 Dec 2019	
in thousands	**AUD**	**USD**	**AUD**	**USD**
Cash and cash equivalents	205	158	15	10
Accrued income	82	63	-	-
Gross balance sheet exposure	287	221	15	10

The average exchange rate from AUD to USD during the period was AUD 1.0000 / USD 0.6906 (Dec 2019: AUD 1.0000 / USD 0.6952). The reporting date spot rate was AUD 1.0000 / USD 0.7702 (Dec 2019: AUD 1.0000 / USD 0.7006). A 10 percent strengthening of the Australian dollar against the USD over the period would have increased the loss after tax for the financial period by $1,138,000 (Dec 2019: increased loss after tax by $1,534,000). A 10 percent weakening of the Australian dollar against the USD over the period would have decreased the loss after tax for the financial period by $1,138,000 (Dec 2019: decreased loss after tax by $1,534,000). This analysis assumes that all other variables remain constant.

Commodity price risk

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

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

	31 Dec 2020		31 Dec 2019	
in thousands	**AUD**	**USD**	**AUD**	**USD**
Sales of crude oil	82	63	-	-
Gross balance sheet exposure	82	63	-	-

The average Brent Platts price for crude sold over the period was AUD 52/bbl (Dec 2019: AUD 85/bbl). A 10 percent strengthening of the dated Brent crude price over the period would have decreased the loss after tax for the financial period by $1,138,000. A 10 percent weakening of the dated Brent crude price over the period would have increased the loss after tax for the financial period by $1,138,000. This analysis assumes that all other variables remain constant.

Interest rate risk

At balance date the Group's exposure to market risk for changes in interest rates relate primarily to the Group's short term cash deposits. The interest rate risk is only applicable to interest revenue as the Group does not have any short or long term borrowings. The Group constantly analyses its exposure to interest rates, with consideration given to potential renewal of the terms of existing deposits. Fixed rate instruments are term deposits held with bank and financial institution counterparties and are available at call, therefore the fair value approximates the carrying amount.

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

	Carrying amount	
in thousands of AUD	**31 Dec 2020**	**31 Dec 2019**
Fixed rate instruments		
Cash and cash equivalents with fixed interest	17,713	29,944
Total fixed interest bearing financial assets	17,713	29,944

	Carrying amount	
in thousands of AUD	**31 Dec 2020**	**31 Dec 2019**
Variable rate instruments		
Cash and cash equivalents with variable interest	3,715	2,473
Total variable interest bearing financial assets	3,715	2,473

Other market price risk

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

Capital management

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

26. Changes in significant accounting policies

The Group has adopted all accounting standards and interpretations that had a mandatory application for this reporting period.

27. Standards issued but not yet effective

No new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021.

28. Subsequent Events

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

29. Auditors' Remuneration

	31 Dec 2020	31 Dec 2019
Audit services		
KPMG Australia: Audit and review of financial reports	80,000	80,000
KPMG Australia: Audit of Joint Venture reports	3,667	3,667
KPMG Australia: Audit of Traditional Owner Royalty Statements	5,000	5,000

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