

# REMUNERATION REPORT - AUDITED FOR THE YEAR ENDED 31 DECEMBER 2021

## Principles of remuneration - Audited

The Directors present their Remuneration Report for Buru Energy for the year ended 31 December 2021. This remuneration report outlines the remuneration arrangements of the Company's Directors and other key management personnel (KMP) in accordance with the requirements of the *Corporations Act 2001* and its Regulations. In accordance with section 308(3C) of the *Corporations Act 2001*, the Remuneration Report has been audited and forms part of the Directors' Report.

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

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

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

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

### Fixed remuneration

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

### Performance linked remuneration

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

### Short term incentive bonuses

The payments of any STI bonuses are linked to the fulfilment of key performance indicators (KPIs). The KPIs are designed to promote shareholder value creation and include financial and non-financial measures. The financial and non-financial KPIs include base and stretch targets related to health and safety results, production levels, exploration outcomes, cost control and sustainability outcomes. All STI bonuses are subject to Board approval.

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## Long-term incentive bonuses

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

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

## Consequences of performance on shareholder wealth

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

## Service contracts

The employment contract with the Executive Chairman, Mr Eric Streitberg, is unlimited in term but capable of termination with three months' notice by either party, or by payment in lieu thereof at the discretion of the Company. Employment contracts with all other current non-Director KMP are unlimited in term but capable of termination notice by either party, or by payment in lieu thereof at the discretion of the Company. Notice periods vary between one to three months.

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

## Services from remuneration consultants

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

## Non-executive Directors

Total fixed remuneration for all Non-executive Directors, last voted upon by shareholders at the 2012 Annual General Meeting, is not to exceed \$600,000 per annum. The Non-executive Directors' base fee is \$96,000 plus statutory superannuation per annum. The Chairman's base fee is ordinarily \$150,000 plus statutory superannuation per annum, however the current Chairman, Mr Streitberg, is not eligible for this remuneration as he is not acting in a non-executive capacity. An additional fee of \$7,400 plus statutory superannuation per annum is payable for Non-executive Directors being a member of a Committee and the fee for chairing a Committee is \$14,600 plus statutory superannuation.

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### Key Management Personnel Remuneration - Audited

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

		Short term				Total	Post-employment	Other long term	Termination benefits	Share-based payments		s300A(1)(e)(i) proportion of remuneration related	s300A(1)(e)(vi) value of share based payments as a proportion of remuneration
		Salary & Fees	Annual leave	STI cash bonus	Non-monetary benefits (A)		Super-annuation benefits	Long service leave accrued		ESOP (B)	Total (C)		
<b>Non-executive Directors</b>													
Mr R Willes, NED	2021	118,000	-	-	-	<b>118,000</b>	11,505	-	-	-	<b>129,505</b>	0.00%	0.00%
	2020	94,400	-	-	-	<b>94,400</b>	8,968	-	-	-	<b>103,368</b>	0.00%	0.00%
Ms J Kendrick, NED (Appointed February 2021)	2021	92,693	-	-	-	<b>92,693</b>	9,083	-	-	-	<b>101,776</b>	0.00%	0.00%
	2020	-	-	-	-	-	-	-	-	-	-	0.00%	0.00%
Mr M King, NED (Appointed February 2021)	2021	98,846	-	-	-	<b>98,846</b>	9,685	-	-	-	<b>108,531</b>	0.00%	0.00%
	2020	-	-	-	-	-	-	-	-	-	-	0.00%	0.00%
Ms S Tough, NED (Appointed February 2021 & retired May 2021)	2021	22,256	-	-	-	<b>22,256</b>	2,114	-	-	-	<b>24,370</b>	0.00%	0.00%
	2020	-	-	-	-	-	-	-	-	-	-	0.00%	0.00%
Ms E Howell, NED (Retired March 2021)	2021	29,500	-	-	-	<b>29,500</b>	2,803	-	-	-	<b>32,303</b>	0.00%	0.00%
	2020	94,400	-	-	-	<b>94,400</b>	8,968	-	-	-	<b>103,368</b>	0.00%	0.00%
<b>Total Non-executive Directors' Remuneration</b>	<b>2021</b>	<b>361,295</b>	-	-	-	<b>361,295</b>	<b>35,190</b>	-	-	-	<b>396,485</b>	<b>0.00%</b>	<b>0.00%</b>
	<b>2020</b>	<b>188,800</b>	-	-	-	<b>188,800</b>	<b>17,936</b>	-	-	-	<b>206,736</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Executive Directors</b>													
Mr E Streitberg, Executive Chairman	2021	492,420	38,766	-	22,215	<b>553,401</b>	49,126	4,426	-	-	<b>606,953</b>	0.00%	0.00%
	2020	419,300	33,686	-	20,147	<b>473,133</b>	41,602	14,337	-	-	<b>529,072</b>	0.00%	0.00%
<b>Total Directors' Remuneration</b>	<b>2021</b>	<b>853,715</b>	<b>38,766</b>	-	<b>22,215</b>	<b>914,696</b>	<b>84,316</b>	<b>4,426</b>	-	-	<b>1,003,438</b>		
	<b>2020</b>	<b>608,100</b>	<b>33,686</b>	-	<b>20,147</b>	<b>661,933</b>	<b>59,538</b>	<b>14,337</b>	-	-	<b>735,808</b>		

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		Short term				Total	Post-employment	Other long term	Termination benefits	Share-based payments		s300A(1)(e)(i) proportion of remuneration related	s300A(1)(e)(vi) value of share based payments as a proportion of remuneration
		Salary & Fees	Annual leave	STI cash bonus	Non-monetary benefits (A)		Super-annuation benefits	Long service leave accrued		ESOP (B)	Total (C)		
<b>Executives</b>													
Mr S McDermott, Chief Financial Officer & Company Secretary	2021	272,883	22,231	-	5,739	<b>300,853</b>	28,178	5,914	-	38,177	<b>373,122</b>	0%	10%
	2020	235,090	19,452	-	5,721	<b>260,263</b>	24,023	5,573	-	-	<b>289,859</b>	0%	0%
Mr A Forcke, General Manager - Commercial	2021	339,150	27,462	-	8,788	<b>375,400</b>	34,808	3,904	-	76,355	<b>490,467</b>	0%	16%
	2020	237,200	36,727	-	8,699	<b>282,626</b>	23,317	2,400	-	-	<b>308,343</b>	0%	0%
Mr K Waddington, Chief Operating Officer	2021	318,379	25,538	-	6,424	<b>350,341</b>	32,370	11,230	-	57,266	<b>451,207</b>	0%	13%
	2020	315,400	25,538	-	6,393	<b>347,331</b>	31,540	9,669	-	-	<b>388,540</b>	0%	0%
<b>Total Executive Officer Remuneration</b>	<b>2021</b>	<b>930,412</b>	<b>75,231</b>	<b>-</b>	<b>20,951</b>	<b>1,026,594</b>	<b>95,356</b>	<b>21,048</b>	<b>-</b>	<b>171,798</b>	<b>1,314,796</b>		
	<b>2020</b>	<b>787,690</b>	<b>81,717</b>	<b>-</b>	<b>20,813</b>	<b>890,220</b>	<b>78,880</b>	<b>17,642</b>	<b>-</b>	<b>-</b>	<b>986,742</b>		
<b>Total Directors and Executive Officer Remuneration</b>	<b>2021</b>	<b>1,784,127</b>	<b>113,997</b>	<b>-</b>	<b>43,166</b>	<b>1,941,290</b>	<b>179,672</b>	<b>25,474</b>	<b>-</b>	<b>171,798</b>	<b>2,318,234</b>		
	<b>2020</b>	<b>1,395,790</b>	<b>115,403</b>	<b>-</b>	<b>40,960</b>	<b>1,552,153</b>	<b>138,418</b>	<b>31,979</b>	<b>-</b>	<b>-</b>	<b>1,722,550</b>		

Notes in relation to the table of KMP remuneration

- Non-monetary benefits to KMP relate to the provision of car parking, life insurance and salary continuance insurance.
- The fair value of the options issued under the ESOP in 2021 are calculated at the date of grant using the Black Scholes option-pricing model and expensed at grant date. The value disclosed is the portion of the fair value of the options recognised in this reporting period.
- During the previous year (2020), in response to the pandemic crisis, the collapse in the price of oil, and the loss of stock market value, the fees paid to the Non-executive Directors were reduced to 60% of prior levels, and the Executive Chairman's salary was reduced to 45% of prior levels from 1 April 2020. Remuneration levels for executives were also reduced by varying amounts. In light of the recovery in the sector and the high level of corporate activity towards the last quarter of the 2020 year, the Non-executive Directors remuneration was restored to prior levels from October 2020 and the Executive Chairman's salary was adjusted to 80% of prior levels from 1 September 2020. Remuneration levels for executives were also restored to 100%.

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### Loans to Key Management Personnel

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

### Shares held by Key Management Personnel

KMP	Held at 1 Jan 21	Ceased to be a Director of Buru	Exercise of options	Purchased	Sold	Held at 31 Dec 21
Mr E Streitberg	21,225,409	-	-	200,000	-	21,425,409
Mr R Willes	132,000	-	-	60,000	-	192,000
Mr M King	-	-	-	66,600	-	66,600
Ms E Howell	294,000	(294,000)	-	-	-	-
Mr S McDermott	100,000	-	-	50,000	-	150,000
Mr A Forcke	1,000,000	-	-	400,000	-	1,400,000

J Kendrick and K Waddington did not hold any shares during the period.

### Analysis of share based payments - ESOP

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

KMP	Held at 1 Jan 21	Granted as remuneration	Exercised	Lapsed / Forfeited	Held at 31 Dec 21	Vested during the year	Vested and exercisable
Mr S McDermott	300,000	500,000	-	(300,000)	500,000	-	500,000
Mr A Forcke	300,000	1,000,000	-	(300,000)	1,000,000	-	1,000,000
Mr K Waddington	300,000	750,000	-	(300,000)	750,000	-	750,000

The share options that lapsed during the year were options granted on 15 April 2019 and expired on 31 December 2021.

During the reporting period, a total of 8,000,000 unlisted options were granted to employees of the Company under the terms of the ESOP. This included 2,250,000 unlisted options to KMPs. No options have been granted to the Executive Chairman or any other Director. The options have an exercise price of \$0.23 and an expiry date of 31 December 2023. All options vested immediately and were exercisable from the grant date of 17 February 2021. No terms of options granted as remuneration to a KMP have been altered or modified by the issuing entity during the reporting period or the prior period. During the reporting period, no shares were issued on the exercise of options previously granted as remuneration.

The assumptions used to value the options granted under the ESOP to KMP are detailed below.

	Mr S McDermott	Mr A Forcke	Mr K Waddington
Underlying security spot price	\$0.14	\$0.14	\$0.14
Strike / exercise price	\$0.23	\$0.23	\$0.23
Risk free rate (bond rate with duration the same as option)	0.12%	0.12%	0.12%
Dividend rate (decrease in Share Price)	0%	0%	0%
Grant date	17 Feb 21	17 Feb 21	17 Feb 21
Vesting date	17 Feb 21	17 Feb 21	17 Feb 21
Expiry date	31 Dec 23	31 Dec 23	31 Dec 23
Time to expiry (years)	2.87	2.87	2.87
Volatility (annualised)	113%	113%	113%
Valuation per option	\$0.076	\$0.076	\$0.076
Number of options	500,000	1,000,000	750,000
Value recognised to date	\$38,177	\$76,355	\$57,266
Value still to be recognised	-	-	-