

INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

To the shareholders of Buru Energy Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Buru Energy Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the **Group's** financial position as at 31 December 2022 and of its financial performance for the year ended on that date; and
- Complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated Statement of financial position as at 31 December 2022;
- Consolidated Statement of comprehensive income or, Consolidated Statement of changes in equity, and Consolidated Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for Opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Liability limited by a scheme approved under Professional Standards Legislation.

INDEPENDENT AUDITOR'S REPORT



Valuation of oil and gas assets	
Refer to Note 6 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>The valuation of the Ungani oilfield was a key audit matter due to the significance of the impairment expense recorded and the significant judgement required by us in evaluating the Group's impairment indicator assessment and the resultant impairment testing.</p> <p>Following identification of an impairment indicator and subsequent impairment testing, the Group recognised an impairment in the Ungani oilfield CGU. The total impairment expense for the financial year was \$25.2 million, with \$7.5 million of the expense recorded in the first half of the year and the remaining \$17.7 million recorded during the period ended 31 December 2022. The impairment indicator arose as a result of a strategic review driven by increased costs and operational challenges at the Ungani oilfield.</p> <p>The Group prepared a value in use model (the model) to estimate the recoverable amount of the Ungani oilfield which resulted in a full impairment of the Ungani oilfield. The model uses forward-looking assumptions which can be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional audit effort and scrutiny by us, in particular to address the objectivity of inputs and their consistent application.</p> <p>We focused on the significant forward-looking assumptions the Group applied in their model, including:</p> <ul style="list-style-type: none"> • Forecast oil price (discounted for freight) and foreign exchange rate; and • Forecast production volume, production costs and life of the field. <p>We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Tested the design and implementation of the Group's control being Board approval of the Group's assessment of impairment indicators; • Evaluated the appropriateness of the Group's assessment of the cash generating unit (CGU) and impairment indicators against accounting standard requirements; • Considered the appropriateness of the value in use model method applied by the Group, for impairment testing purposes, specifically considering whether fair value less cost of disposal (FVLCD) would result in a materially higher recoverable amount; • Compared the forecast operating cash flows, production and sales volumes contained in the model to Board approved budgets; • Working with our valuation specialists, we assessed the model methodology and compared forecast oil and exchange rates to published views of market commentators and obtained third party quotes for freight cost; • Considered the sensitivity of the model by varying key assumptions, such as forecast oil prices, foreign exchange rate and the forecast production volume, to focus our audit procedures; • We used our knowledge of the Group and our industry experience to challenge the consistency of forecast operating cash flows, production and sales volumes based on the Group's past performance; • Obtained a copy of the Group's external contingent resources report to assess the feasibility of the forecast production quantities within the model; • Recalculated the impairment charge and assessed the allocation against the individual assets comprising the CGU; and • We assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

INDEPENDENT AUDITOR'S REPORT



Other Information

Other Information is financial and non-financial information in Buru Energy Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- Preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- Assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- To obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- To issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

INDEPENDENT AUDITOR'S REPORT



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Buru Energy Limited for the year ended 31 December 2022, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 36 to 41 of the Directors' Report for the year ended 31 December 2022.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Jane Bailey

Jane Bailey

Partner

Perth

27 March 2023