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 2022 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 the exploration and production of gas and oil and development of new energy resources in 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 27 March 2023. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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 15 – Provisions
- Note 16 – 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 Chief Executive Officer, 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 Chief Executive Officer 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 Australia. The reportable operating segments are based on the Group's strategic business units: oil production, exploration and energy transition. 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 the following:
  - the Rafael area where the Rafael 1 exploration well was drilled in 2021 with a subsequent successful flow test of gas to surface;
  - the Yulleroo area where gas resources have been identified in the Laurel Formation;
  - several other prospects along the Ungani oil trend;
  - the Lennard Shelf area including the shut-in Blina and Sundown Oilfields;
  - the Carnarvon basin where during the year, Buru accepted an offer for a 50% interest in block L20-1; and
  - evaluation of the other areas in the Group's portfolio.
- Energy Transition: The Company is progressing a number of initiatives to ensure it is part of the energy transition through three subsidiaries, 2H Resources (natural hydrogen), GeoVault (Carbon Capture and Storage) and Battmin (Battery Minerals).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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**		**Energy Transition**		**Unallocated**		**Total**	
in thousands of AUD	**Dec 22**	**Dec 21**	**Dec 22**	**Dec 21**	**Dec 22**	**Dec 21**	**Dec 22**	**Dec 21**	**Dec 22**	**Dec 21**
External revenues	13,893	9,608	-	-	-	-	-	-	**13,893**	**9,608**
Cost of sales	(7,308)	(6,541)	-	-	-	-	-	-	**(7,308)**	**(6,541)**
Movement in crude inventories	(702)	1,521							**(702)**	**1,521**
Amortisation of oil and gas assets	(2,675)	(2,949)	-	-	-	-	-	-	**(2,675)**	**(2,949)**
Gross Profit / (Loss)	**3,208**	**1,639**	**-**	**-**	**-**	**-**	**-**	**-**	**3,208**	**1,639**
Exploration and evaluation expenditure	-	-	(5,973)	(8,187)	(1,059)	(1,054)	-	-	**(7,032)**	**(9,241)**
Impairment of right-of-use assets	(1,774)								**(1,774)**	**-**
Impairment of oil and gas expenditure	(23,460)	-	-	-	-	-	-	-	**(23,460)**	**-**
Increase in provisions against inventories	-	-	-	(32)	-	-	-	-	**-**	**(32)**
Depreciation expense	-	-	-	-	-	-	(808)	(1,386)	**(808)**	**(1,386)**
Corporate and administrative expenditure	-	-	-	-	-	-	(3,097)	(1,357)	**(3,097)**	**(1,357)**
Share based payment expenses	-	-	-	-	-	-	-	(565)	**-**	**(565)**
EBIT	**(22,026)**	**1,639**	**(5,973)**	**(8,219)**	**(1,059)**	**(1,054)**	**(3,905)**	**(3,308)**	**(32,963)**	**(10,942)**
Net finance income / (expense)	-	-	-	-			186	191	**186**	**191**
Reportable segment profit / (loss) before tax	**(22,026)**	**1,639**	**(5,973)**	**(8,219)**	**(1,059)**	**(1,054)**	**(3,719)**	**(3,117)**	**(32,777)**	**(10,751)**

Total Assets	Oil Production		Exploration		Energy Transition		Unallocated		Total	
in thousands of AUD	**Dec 22**	**Dec 21**	**Dec 22**	**Dec 21**	**Dec 22**	**Dec 21**	**Dec 22**	**Dec 21**	**Dec 22**	**Dec 21**
Current assets	1,064	1,776	259	259	-	-	18,835	24,642	**20,158**	**26,677**
Oil and gas assets	-	22,028	-	-	-	-	-	-	**-**	**22,028**
Exploration and evaluation assets	-	-	10,197	9,501	-	-	-	-	**10,197**	**9,501**
Property, plant and equipment	-	-	-	-	-	-	3,777	3,349	**3,777**	**3,349**
Total Assets	**1,064**	**23,804**	**10,456**	**9,760**	**-**	**-**	**22,612**	**27,991**	**34,132**	**61,555**
Capital Expenditure	**5,881**	**5,649**	**696**	**9,501**	**-**	**-**	**-**	**8**	**6,577**	**15,158**
Total Liabilities										
Current liabilities	2,349	4,331	1,581	5,220	-	-	1,603	2,427	**5,533**	**11,978**
Lease liabilities (Non-current)	653	553	546	158	-	-	1,273	79	**2,472**	**790**
Provisions (Non-current)	2,559	1,641	3,549	3,328	-	-	263	365	**6,371**	**5,334**
Total Liabilities	**5,561**	**6,525**	**5,676**	**8,706**	**-**	**-**	**3,139**	**2,871**	**14,376**	**18,102**

2. REVENUE

in thousands of AUD	31 Dec 2022	31 Dec 2021
Sales of crude oil	14,604	9,575
Timing effect of revenue	(711)	33
	13,893	**9,608**

ACCOUNTING POLICY

Revenue is recognised when a customer obtains control of the goods or 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 2022	31 Dec 2021
Corporate and other administration expenses	3,905	2,743

The above expense excludes share-based payments disclosed at note 16.

JobKeeper payments, which totalled $119,000 was offset against Corporate and administrative expenditure in the previous year (2021). Total personnel expenses for the 2022 year including STIS bonus amounted to $7,953,000, (2021: $5,478,000) 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 2022	31 Dec 2021
Finance Income		
Interest income on bank deposits and receivables	95	55
	95	55
Finance Expense		
Interest income / (expense) on lease liabilities	132	9
Net foreign exchange gain / (loss)	(41)	127
	91	136
Net finance income / (expense) recognised in profit or loss	**186**	**191**

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 2022	31 Dec 2021
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	(32,777)	(10,751)
Income tax (expense) / benefit using the domestic corporation tax rate of 30%	9,833	3,225
(Increase) / decrease in income tax due to:		
Non-deductible expenses	(12)	(181)
Temporary differences and tax losses not brought to account as a DTA	(9,820)	(3,045)
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 2022	31 Dec 2021	Movement
Deferred tax assets			
Accruals	33	15	18
Provisions	426	2,151	(1,725)
Development expenditure	8,417	3,770	4,647
Exploration expenditure	(3,059)	(2,850)	(209)
Lease liabilities	1,129	612	517
Tax losses	56,883	53,615	3,268
Unrealised foreign exchange	5	(17)	22
	63,834	57,296	6,538
Deferred tax liabilities			
Property, plant and equipment	(358)	(293)	(65)
Investments in listed entities	-	(24)	24
Rehabilitation	2,158	(516)	2,674
Lease assets	(771)	(615)	(156)
	1,029	(1,448)	2,477
Net DTA not brought to account	**64,863**	**55,848**	**9,015**

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 2022**	**31 Dec 2021**
Carrying amount at beginning of the period	22,028	19,328
Development expenditure	4,107	5,649
Amortisation expense	(2,675)	(2,949)
Impairment of oil and gas assets	(23,460)	-
Carrying amount at the end of the period	**-**	**22,028**

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 the remaining life of the Oilfield.

IMPAIRMENT RECORDED AGAINST THE UNGANI OILFIELD

The Ungani 8 well was spudded on 18 December 2021. During January 2022, the well was drilled to a total measured depth of 2,605 metres into the Ungani Dolomite at a hole angle of some 76 degrees, substantially as planned. As the drill string was being retrieved prior to running the 9⅝ inch casing it became stuck in the upper part of the Laurel Shale. Despite extensive efforts to recover the drill string it was unable to be freed. It was subsequently backed off at a depth of 2,206 metres measured depth and the remaining drill string was retrieved. Subsequent to analysis of the options for the forward program for the well it was agreed that ROC would undertake a sidetrack to complete the well as a sole risk operation. The Ungani 8 sidetrack was drilled to a measured depth of 2,473 metres in the Ungani Shale with a further incident of stuck pipe and the well was suspended. All costs undertaking the sidetrack were borne by ROC.

An impairment of $7,354,000 was recorded in June 2022 being Buru's share of costs associated with the Ungani 8 well incurred and previously capitalised as Oil and Gas Assets.

In December 2022, the Company conducted a strategic of review of the recoverable amount of the Ungani Oilfield Cash Generating Unit (CGU) due to the high cost environment, and identified an impairment trigger. The impairment assessment required management to make estimates regarding the present value of future cash flows and determine a Value in Use (VIU). 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 (2 years). The production rates used over the life of the asset in the VIU determinations range between 400 bopd and 550 bopd gross to the Joint Venture (Company's share 50%).
- The oil prices used in the VIU 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:

	2023	2024
Oil price (US$/bbl)	$94	$87

- The forecast foreign exchange rates used in the VIU determinations was $0.70 (US$:AU$) and was derived from rates published by market commentators.
- A pre-tax nominal discount rate of 14% 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.

The determination of VIU for the Ungani Oilfield was most sensitive to oil prices, foreign exchange rates and production volumes. The assessment also highlighted the increase in unit costs and low netback per barrel due to material increase in shipping, fuel and trucking costs during the year.

The result of the assessment indicated that the asset was unlikely to recover its pre-impairment carrying value and a further non-cash impairment of $16,106,000 was recorded to fully impair the Ungani assets at 31 December 2022 based on a VIU discounted cash flow approach.

7. EXPLORATION AND EVALUATION EXPENDITURE

in thousands of AUD	31 Dec 2022	31 Dec 2021
Carrying amount at beginning of the period	9,501	-
Exploration assets additions	696	9,501
Impairment of exploration expenditure	-	-
Movement in rehabilitation provision for exploration assets	-	-
Carrying amount at the end of the period	**10,197**	**9,501**

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 drilling successful wells and the costs of acquiring interests in new exploration assets, and appraisal costs relating to determining development feasibility, which are capitalised as an asset.

An exploration/appraisal well is unsuccessful if no recoverable hydrocarbons are identified, or the Board considers that the hydrocarbons are not commercially viable. Where hydrocarbon resources exist, the costs of successful wells may remain capitalised where further appraisal of the discovery is planned. If this further appraisal does not lead to the discovery of commercially recoverable reserves, all these costs would be impaired. Exploration and evaluation expenditure is accumulated on a well-by-well basis and may be carried forward at the end of a reporting period, pending determination.

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.

The Rafael 1 exploration well was capitalised during the 2021 year with initial results from the well suggesting potential for a substantial accumulation of high quality gas to be present in the structure.

Buru is undertaking a structured pre-commercialisation program for the discovery including detailed economic analysis, engagement with Government and regulators and potential customers, together with feasibility analysis of development options and capital requirements. Although the exploration or/and appraisal activities at Rafael 1 have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves, significant further exploration operations are planned at Rafael 1 over the coming years.

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.

8. PROPERTY, PLANT AND EQUIPMENT (PPE)

in thousands of AUD	Plant and equipment	Right-of-use assets	Other	Cultural assets	Total
Cost					
Carrying amount at 1 Jan 2021	1,406	4,536	-	877	6,819
Additions	8	1,195	-	-	1,203
Disposals	(35)	-	-	-	(35)
Balance at 31 Dec 2021	**1,379**	**5,731**	**-**	**877**	**7,987**
Carrying amount at 1 Jan 2022	1,379	5,731	-	877	7,987
Additions	-	3,010	-	-	3,010
Disposals	(21)	-	-	-	(21)
Impairment	-	(1,774)	-	-	(1,774)
Balance at 31 Dec 2022	**1,358**	**6,967**	**-**	**877**	**9,202**
Depreciation					
Carrying amount at 1 Jan 2021	(895)	(2,392)	-	-	(3,287)
Depreciation for the period	(95)	(1,291)	-	-	(1,386)
Disposal	35	-	-	-	35
Balance at 31 Dec 2021	**(955)**	**(3,683)**	**-**	**-**	**(4,638)**
Carrying amount at 1 Jan 2022	(955)	(3,683)	-	-	(4,638)
Depreciation for the period	(91)	(717)	-	-	(808)
Disposal	21	-	-	-	21
Balance at 31 Dec 2022	**(1,025)**	**(4,400)**	**-**	**-**	**(5,425)**
Carrying amounts					
At 31 December 2021	**424**	**2,048**	**-**	**877**	**3,349**
At 31 December 2022	**333**	**2,567**	**-**	**877**	**3,777**

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
• 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.

Right-of-use assets and lease liabilities

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%. As at the end of the reporting year, the Group's current lease liabilities were $1,291,000 (2021: $1,249,000) and non-current lease liabilities were $2,472,000 (2021: $790,000). $1,774,000 was impaired at the end of the year to reduce the book value of right-of-use assets associated with the Ungani assets, consistent to the treatment applied in Note 6.

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. TRADE AND OTHER RECEIVABLES

in thousands of AUD	**31 Dec 2022**	**31 Dec 2021**
Accrued income	-	-
Interest receivable	93	19
Joint operation receivables	366	-
GST receivable	100	235
Prepayments	347	207
Insurance refund receivable	-	452
Other receivables	7	6
Total	**913**	**919**

The Group's exposure to credit and currency risks and impairment losses related to trade receivables are disclosed in note 23.

10. INVENTORIES

in thousands of AUD	**31 Dec 2022**	**31 Dec 2021**
Materials and consumables at net realisable value	259	259
Petroleum products at cost	1,064	1,776
	1,323	**2,035**

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 production materials and consumables, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

11. (A) CASH AND CASH EQUIVALENTS

in thousands of AUD	**31 Dec 2022**	**31 Dec 2021**
Bank balances	5,209	9,509
Term deposits available at call	12,713	14,214
Cash and cash equivalents in the statement of cash flows	**17,922**	**23,723**

The Group's exposure to interest rate risk and sensitivity analysis for financial assets is disclosed in note 23.

(B) RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

in thousands of AUD	**Note**	**31 Dec 2022**	**31 Dec 2021**
Cash flows from operating activities			
Income / (Loss) for the period		(32,777)	(10,751)
Adjustments for:			
Depreciation	8	808	1,386
Amortisation on development expenditure	6	2,675	2,949
Increase in provisions against inventories		-	32
Impairment of oil and gas assets	6	23,460	-
Impairment of right-of-use assets	8	1,774	-
(Gain) / loss on asset disposal		(11)	(23)
Share based payment expenses		-	565
Insurance refund receivable	9	-	452
Net finance (income) / costs	4	(186)	(191)
Operating loss before changes in working capital and provisions		(4,257)	(5,581)
Changes in working capital			
Change in trade and other receivables		(613)	1,001
Change in trade and other payables		(2,018)	(716)
Change in inventories		712	(1,281)
Change in provisions		1,455	624
Cash used in operating activities		**(464)**	**(372)**
Net cash outflow from operating activities		**(4,721)**	**(5,953)**

12. CAPITAL AND RESERVES

Share capital

	Ordinary Shares 31 Dec 2022 No.	Ordinary Shares 31 Dec 2021 No.
Fully paid shares on issue at the beginning of the period	538,442,991	432,074,241
Issued under Institutional Placement – 6 May 2021	-	100,000,000
Issued under Share Purchase Plan – 10 June 2021	-	6,368,750
Issued under non-renounceable entitlement offer & shortfall offer – 7 June 2022	55,350,094	-
Issued under shortfall placement – 8 June 2022	2,250,000	
On issue at the end of the period – fully paid	**596,043,085**	**538,442,991**

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.

On 7 June, Buru announced the results of its 1 for 6 non-renounceable pro-rata entitlement offer of fully paid ordinary shares in Buru at an offer price of $0.16 per new share. Eligible shareholders who applied for their entitlements in full were also able to apply for additional shares offered under the Entitlement Offer, (that were not validly applied for by other shareholders under their respective entitlements), under a Shortfall Offer (Shortfall Offer). The combined proceeds of the Entitlement and Shortfall Offers and a placement to new investors (Placement) was approximately $9.2 million (before costs), resulting in the issue of 57,600,094 new shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

13. EARNINGS / (LOSS) PER SHARE

in thousands of AUD	**31 Dec 2022**	**31 Dec 2021**
Earnings / (loss) attributable to ordinary shareholders	(32,777)	(10,751)
Basic and diluted earnings / (loss) per share		
Weighted average number of ordinary shares		
	31 Dec 2022 No.	**31 Dec 2021 No.**
Issued ordinary shares at beginning of the period	538,442,991	432,074,241
Effect of shares issued	32,660,190	69,038,973
Weighted average number of ordinary shares at the end of the period	**571,103,181**	**501,113,214**
Basic and dilutive loss per share calculated using the weighted average number of ordinary shares at the end of the period (cents)	(5.74)	(2.15)

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 7,200,000 options, are not considered dilutive as the options were 'out of the money' as at 31 December 2022.

14. TRADE AND OTHER PAYABLES

in thousands of AUD	**31 Dec 2022**	**31 Dec 2021**
Trade payables	504	750
Accruals	1,493	5,398
Joint Venture cash calls received in advance	-	2,797
Other payables	51	8
	2,048	**8,953**

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 23.

15. PROVISIONS

in thousands of AUD	31 Dec 2022	31 Dec 2021
Current		
Provision for annual leave	886	1,141
Provision for long-service leave	222	142
Provision for site restoration	1,085	493
	2,194	**1,776**
Non-Current		
Provision for long-service leave	262	365
Provision for site restoration	6,109	4,969
	6,371	**5,334**

Movements in the site restoration provision

in thousands of AUD	31 Dec 2022	31 Dec 2021
Opening balance	5,462	4,872
Provision used during the period	(130)	(192)
Change in estimate of provision	1,862	782
Balance at the end of the period	**7,194**	**5,462**

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 at 3% to determine its present value, and the fair value of any related assets is deducted. 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.

16. SHARE-BASED PAYMENTS

Fair value expensed in thousands of AUD	31 Dec 2022	31 Dec 2021
Employee Share Option Plan expense	-	565
	-	**565**

ACCOUNTING POLICY

The grant date fair value of share-based payments 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. No options were granted to employees of the Company under the terms of the Employee Share Option Plan (ESOP) during the reporting period.

Employee Share Option Plan (ESOP)

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 2022	0.23	7,400,000
Forfeited during the period ended 31 December 2022	0.23	(200,000)
Outstanding as at 31 December 2022	**0.23**	**7,200,000**

The unlisted share options outstanding as at 31 December 2022 have a weighted average exercise price of $0.23 (Dec 2021: $0.23), and a weighted average contractual life of 1 year (Dec 2021: 2 years).

17. GROUP ENTITIES

Parent entity	Country of incorporation	Ownership interest	Ownership interest
Buru Energy Limited	Australia		
Subsidiaries		**31 Dec 2022**	**31 Dec 2021**
Royalty Holding Company Pty Limited	Australia	100%	100%
Buru Operations Pty Limited	Australia	100%	100%
Noonkanbah Diamonds Pty Limited	Australia	100%	100%
Buru Fitzroy Pty Limited	Australia	100%	100%
Battmin Pty Ltd	Australia	100%	100%
2H Resources Pty Limited	Australia	100%	100%
GeoVault Pty Limited	Australia	100%	100%

Buru Energy Limited is the head entity of the tax consolidated group and all subsidiaries are members of the tax consolidated group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

18. PARENT ENTITY DISCLOSURES

As at, and throughout the year ended 31 December 2022 the parent company of the Group was Buru Energy Limited.

in thousands of AUD	**Company 12 months ended 31 Dec 2022**	**Company 12 months ended 31 Dec 2021**
Result of the parent entity		
Total comprehensive profit / (loss) for the period	(31,093)	(9,030)
Financial position of the parent entity at year end		
Current assets	20,482	27,017
Total assets	34,132	61,475
Current liabilities	5,533	11,898
Total liabilities	14,376	18,022
Total equity of the parent entity at year end		
Share capital	295,971	286,891
Reserves	550	565
Accumulated losses	(276,765)	(244,003)
Total equity	**19,756**	**43,453**

19. 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 and 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 2022 whose principal activities were oil and gas exploration, development and production.

Permit/Joint Operation	December 2022 Beneficial Interest	December 2021 Beneficial Interest	Operator	Country
L20	50.00%	50.00%	Buru Energy Ltd	Australia
L21	50.00%	50.00%	Buru Energy Ltd	Australia
EP 129 [3]	50.00%	50.00%	Buru Energy Ltd	Australia
EP 391 [2]	50.00%	50.00%	Buru Energy Ltd	Australia
EP 428	50.00%	50.00%	Buru Energy Ltd	Australia
EP 431	50.00%	50.00%	Buru Energy Ltd	Australia
EP 436 [2]	50.00%	50.00%	Buru Energy Ltd	Australia
EP 457 [1]	40.00%	40.00%	Buru Fitzroy Pty Ltd	Australia
EP 458 [1]	40.00%	40.00%	Buru Fitzroy Pty Ltd	Australia
E04/2674	50.00%	50.00%	Sipa Resources Ltd	Australia
E04/2684	50.00%	50.00%	Sipa Resources Ltd	Australia
EP 510 (formerly L20-1) [4]	25.00%	50.00%	Energy Resources Ltd	Australia

1 *The transfer of each 20% interest to Origin Energy in these permits was registered by DMIRS on 7 Jan 2022*

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

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

4 *On 24 May 2022 Buru and EnRes executed a farmout transaction agreement pursuant to which EnRes will assume the operatorship of the permit and be assigned a 25% interest from Buru such that the permit interests will be Buru 25% and EnRes 75% and operator.*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

20. CAPITAL AND OTHER COMMITMENTS

in thousands of AUD	31 Dec 2022	31 Dec 2021
Exploration expenditure commitments		
Contracted but not yet provided for and payable:		
Within one year	127	302
One year later and no later than five years	1,865	1,993
	1,992	**2,295**

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.

21. CONTINGENCIES

There were no material contingent liabilities or contingent assets for the Group as at 31 December 2022 (31 Dec 2021: nil).

22. RELATED PARTIES

Key management personnel compensation

The key management personnel compensation comprised:

in AUD	31 Dec 2022	31 Dec 2021
Short term employee benefits	2,343,043	1,941,290
Post-employment benefits	238,087	179,672
Long term employee benefits	34,254	25,474
Share-based payments	-	171,798
	2,615,384	**2,318,234**

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 36 to 41.

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.

23. 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 2022**	**31 Dec 2021**
Cash and cash equivalents and term deposits at call	11a	17,922	23,723
Trade and other receivables	9	913	919
		18,835	**24,642**

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, insurance refund 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 2022, 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 2022		31 Dec 2021	
in thousands of AUD	**Less than 1 year**	**1 - 5 years**	**Less than 1 year**	**1 - 5 years**
Lease liabilities	1,291	2,472	1,249	790
Trade and other payables	2,048	-	8,953	-
	3,339	**2,472**	**10,202**	**790**

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 2022		31 Dec 2021	
in thousands	**AUD**	**USD**	**AUD**	**USD**
Cash and cash equivalents	119	81	112	81
Accrued income	-	-	-	-
Gross balance sheet exposure	**119**	**81**	**112**	**81**

The average exchange rate from AUD to USD during the period was AUD 1.0000 / USD 0.6947 (Dec 2021: AUD 1.0000 / USD 0.7514). The reporting date spot rate was AUD 1.0000 / USD 0.6775 (Dec 2021: AUD 1.0000 / USD 0.7256). 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 $1,392,000 (Dec 2021: increased loss after tax by $969,000). 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 $1,392,000 (Dec 2021: decreased loss after tax by $969,000). 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 and the Group did not enter into any commodity derivative contracts during the year.

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 2022**	**31 Dec 2021**
Fixed rate instruments		
Cash and cash equivalents with fixed interest	12,713	14,214
Total fixed interest bearing financial assets	**12,713**	**14,214**

	Carrying amount	
in thousands of AUD	**31 Dec 2022**	**31 Dec 2021**
Variable rate instruments		
Cash and cash equivalents with variable interest	5,209	9,509
Total variable interest bearing financial assets	**5,209**	**9,509**

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss after tax by $52,090 (2021: $95,090). This analysis assumes that all other variables remain constant.

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.

24. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group has adopted all accounting standards and interpretations that had a mandatory application for this reporting period which did not have material impact.

25. STANDARDS ISSUED BUT NOT YET EFFECTIVE

No new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022.

26. SUBSEQUENT EVENTS

On 3 January 2023 the Company announced Mr Eric Streitberg has agreed to assume the role of Non-Executive Chair of the Company effective 1 January 2023.

On 5 & 10 January 2023 the Company made consecutive announcements in relation to the impact of ex-Tropical Cyclone Ellie on its Ungani oil production and operations. The weather system has severely affected the central and west Kimberley with major flooding to the region causing road closures and potential road damage. Although Ungani production operations have not been directly affected, road closures have meant oil transport operations have been suspended. Consequently, operations at the Ungani Production Facility have also been suspended and Buru has safely demobilised its operations personnel from the field whilst it investigates oil transportation routes to Wyndham Port.

On 16 January 2023 the Company announced it was successful in its application with its partner Energy Resources Limited (EnRes, a wholly owned subsidiary of Mineral Resources Limited) for an additional two highly prospective petroleum exploration areas in the Northern Carnarvon Basin and the Merlinleigh Sub-basin. The L22-2 and L22-4 areas were part of the recent WA Government Petroleum Acreage Release 2 of 2022, and have been offered to the joint venture of EnRes as Operator (75%) and Buru (25%). The grant of the permits is subject to completion of Native Title agreements, and the joint venture looks forward to completing those with the relevant parties.

On 13 February 2023 the Company announced Origin Energy Limited (Origin Energy), via its wholly owned subsidiary Origin Energy West Pty Ltd (Origin), will assign its interests in its joint venture exploration permits in the Canning Basin (including the Rafael conventional gas and condensate discovery), to a wholly owned subsidiary of Buru Energy Limited (Buru) for a future, capped reimbursement of costs linked to gas production success. As part of the agreement, Origin will provide Buru with up to $4 million of the required funding for the Rafael 3D seismic survey which is planned to be acquired in the 2023 operating season. Buru resumes its position as the dominant net acreage holder and operator in the Canning Basin, with ownership of a net 22,500 sq kms of permits including 100% of EP 129, EP 391, EP 428, EP 431 and EP 436; and 60% of the EP 457 and EP 458 permits it shares with Rey Resources Ltd (Rey).

No other 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.

27. AUDITORS' REMUNERATION

	31 Dec 2022	31 Dec 2021
Audit services		
KPMG Australia: Audit and review of financial reports	90,000	83,000
KPMG Australia: Audit of Joint Venture reports	3,267	3,267
KPMG Australia: Audit of Traditional Owner Royalty Statements	2,500	2,500

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