BURLESON ENERGY LIMITED

and Controlled Entities

ACN: 117 770 475

ANNUAL REPORT

For the year ended 30 June 2015

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CORPORATE DIRECTORY

DIRECTORS

Michael Sandy
Executive Chairman

Dr Andrew Kugler, Jr
Non Executive Director

Alexander Sundich
Executive Director

COMPANY SECRETARY

Alexander Sundich

SHARE REGISTRY

Boardroom Pty Ltd
Level 12, 225 George Street
SYDNEY NSW 2000

STOCK EXCHANGE LISTING

The Company's ordinary shares are listed on the Australian Stock Exchange (ASX code: BUR).

The Home Exchange is Perth.

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Level 1, 12 O'Connell Street
SYDNEY NSW 2000

SOLICITORS

HWL Ebsworth Lawyers
Level 14, Australia Square
264-278 George Street
SYDNEY NSW 2000

BANKERS

ANZ Banking Group
2 Barrack Street
SYDNEY NSW 2000

Chairman's Letter

Dear Shareholder,

I am pleased to present Burleson Energy's annual report for 2015, a year that has presented its fair share of challenges.

The well-documented collapse of oil and gas prices has had a significant impact on the Company. Despite production levels holding up, the Group's revenue has fallen significantly. At the same time the Group's strategy of farming out and/or selling its interest in the Heintschel field has been hampered by the negative sentiment and capital constraints within the industry. As at the date of this report, no such transaction has been completed.

Operationally, the primary focus of Burleson during the year was the T#3 well. This well spudded on 23 July 2014, reached the Total Depth of 11,750 feet (3,581m) on 13 August 2014 and was brought onto production on the 24 December 2014. The well flowed consistently at commercial rates through the remainder of the year, justifying the decision to drill.

On 16 September 2015, Burleson announced an equity capital raising of $1.26 million, consisting of a completed placement of $210,000 which was followed by a rights issue to raise an additional $1.05 million. The rights issue was fully underwritten by Patersons Securities Limited.

Proceeds from the Placement and Rights Issue will provide Burleson with additional working capital. This will ensure that the Company is able to keep its existing assets in good standing and enable the Company to evaluate other assets and projects.

Given current circumstances, we are pleased to have secured additional funding through this capital raising. These funds will provide Burleson with the flexibility it needs to continue the process of evaluating new projects and opportunities.

Finally, I would like to thank Burleson's shareholders for their ongoing support of the Company in what has been a challenging time for oil and gas investors.

Michael Sandy
Executive Chairman

Directors' Report

The Directors present their report on the Consolidated Group (referred to hereafter as the Group or Burleson) consisting of Burleson Energy Ltd and its controlled entities, for the year end 30 June 2015.

1 Principal Activities and Significant Changes in Nature of Activities

The principal activities of the Group during the course of the financial year were the exploration and development of petroleum and gas properties in the United States of America, focussing on projects in onshore South Texas USA, targeting conventional oil and gas reservoirs, where high impact prospects can be drilled at moderate cost.

As at 30 June 2015, Burleson had working interests in 3,542 acres (1,764 net acres) mainly within a Colorado County 3D (CC3D) seismic project area and rights to 38% of 1000 square-miles of 3D seismic data (1K3D project). The Group had six wells on production within this project area during the year, being Heintschel #1, Heintschel # 2, D Truchard #1, Truchard #2H and Truchard #3 in the Heintschel field and the Joann #1 well in the Joann field.

There have been no significant changes in the nature of the Group's principal activities during the financial year.

About AKG Energy

Burleson is aligned with US partner AKG Energy, a company based in Austin, Texas, that boasts a family of established oil industry experts with many years of experience. This alliance is a key asset of the Group.

AKG Energy L.P., and its associates AKG Oil Company and AKG Operating Company, are independent, family-owned companies involved in oil and gas exploration, development and operations. The principals are Dr. Andrew Kugler Jr (geologist and Burleson director), Khib A. Kugler (geophysicist), Karras J. Kugler (petroleum engineer) and Greigh P. Kugler (petroleum landman). The AKG companies' principals have a combined 90 years of hands-on experience as petroleum explorers, operators and producers.

Operating Results

The net loss of the Group for the twelve months to 30 June 2015 was $1,492,209 (2014: $1,070,983) resulting predominantly from the Group's policy of writing off exploration expenditure. A total of $1,671,503 (2014: $1,747,993) of exploration and evaluation expenditure was written off during the 2015 financial year.

Operating revenue for the 2015 financial year was $966,502 (2014: $1,575,020). Overall production from the Group's six wells was relatively stable during the year, with incremental production from the new Truchard #3 well largely off-setting declined in the production of the Group's other wells. However, a significant decline in oil and gas prices resulted in a decrease in operating revenue. The Group continues to closely monitor and control costs in order to preserve cash and limit financial losses.

The basic earnings per share attributable to owners of Burleson for the twelve months to 30 June 2015 was a loss of 0.4 cents per share (2014: 0.3 cents per share).

Financial Position

The consolidated net assets of the Group as at 30 June 2015 were $461,763 (2014: $1,776,615). The decrease in net assets during the year was caused by the consolidated operating loss of the Group. The cash and cash equivalents held by the Group as at 30 June 2015 was $412,247 (2014: $1,700,345).

Directors' Report – continued

Operations Review

Production and Revenue

During the year to 30 June 2015, the Group produced oil and gas from six wells. The total production for the year from each of the wells in which the Group has an interest is summarised in the following table:

Well / Burleson	Gas		Condensate		Production Days	
Working Interest	Total mcf	Avg mcf p.d	Total bbls	Avg bbls p.d	Lost	Producing
Joann #1 / 39.4%	33,782	98	1,322	4	21	344
D Truchard #1 / 38.0%	951	33	7	0	336	29
Heintschel #1 / 38.0%	2,221	14	155	1	207	158
Heintschel #2 / 38.0%	42,848	158	792	3	93	272
Truchard #2H / 50.0%	263,680	760	6,014	17	18	347
Truchard #3 / 50.0%	121,943	645	2,324	12	0	189
Totals for Year	**465,425**	**1,708**	**10,614**	**37**		

Revenue received for Burleson's net revenue interests in the wells during the 2015 financial year was $941,231 (2014:$1,528,164).

Truchard #3 Well (T#3)

During the year to 30 June 2015, the primary focus of Burleson's operations was the T#3 well. The T#3 well spudded and commenced drilling on 23 July 2014. It reached the Total Depth of 11,750 feet (3,581m) on 13 August 2014.

The T#3 well was brought onto production on the 24 December 2014. The well is a vertical development well that successfully targeted an anomaly identified by Burleson's technical team, AKG, within the Heintschel field, being in the lowermost Wilcox Prairie Bell 01 reservoir sand.

The seismic anomaly was identified when the 3D seismic was originally interpreted, and the T2H vertical section clipped the anomaly with resultant strong gas shows at that level. However, its significance became clearer when a number of seismic analogs were drilled some 20 miles to the SW with impressive results, starting in 2013.

Notwithstanding the fall in oil and gas prices over the half year to 31 December 2014, the well flowed at commercial rates, justifying the decision to drill.

Burleson's working interest in the T#3 well is 50% and it has a 39.19% net revenue interest with a 1.13% overriding royalty interest in the well. The cost of the T#3 well has been written off in accordance with the Group's accounting policies.

Burleson committed to its 50% working interest in the T#3 well in May 2014. The total well cost was US$2.2 million, completed and on production, with Burleson's share being US$1.1 million. In June 2014, the Group spent $599,696 (US$561,494) as its initial payment to fund the T#3 well. A further payment of US$548,620 was made by the Group in August 2014 in relation to its share of the T#3 well.

The Heintschel Field

Five of the Group's six producing wells, including the new T#3 well, are in the Heintschel gas condensate field in Colorado County, Texas. The Heintschel field is covered by excellent quality 3D seismic. It was discovered by the Heintschel #1 well in mid-2010, followed by Heintschel #2 and D Truchard #1 appraisal wells in early 2011. These were vertical wells with single stage fracture stimulations (fracs). The Truchard #2 Horizontal (T#2H) well (with 6 staged fracs) was drilled and brought on production in October 2012. The reservoir encountered in each of the wells is tight gas sandstone which usually requires fraccing to produce at economic rates.

While the year to 30 June 2015 saw no new drilling activity, the consistent production performance of the T#3 and T#2H wells, has resulted in a relatively consistent revenue stream for the Group. This in turn has

Directors' Report – continued

demonstrated that the Heintschel field has significant development potential. Burleson believes that development of the Heintschel field is commercially viable, and is actively working to farm out or sell the field to a larger company with the financial resources to undertake the scale of drilling required for full field development.

Engineering Studies

In order to evaluate the viability of the ongoing development of the Heintschel field, two independent engineering reports were commissioned during the year to 30 June 2014. These reports demonstrate that future horizontal wells will be economic with longer laterals and more closely spaced fracs than in the Truchard #2H well, and confirm the Group's view that development of the Heintschel field is commercially viable in a favourable oil and gas price environment.

The first study was undertaken by Integrated Petroleum Technologies Inc (IPT) who analysed and evaluated the production performance of the T2H well. T2H involved drilling a 3,500m vertical section then a 700m lateral (horizontal) section and 6 staged fracture stimulations (fracs) 120m (400 feet) apart.

IPT generated a model of the well performance to predict how the well would have flowed in a range of cases (including more fracs and closer spaced fracs). They determined that drilling wells with 12 or more frac stages generated a positive NPV under several scenarios – even with a 20% reduction to cover any unforeseen differences in reservoir quality. They found that 400 ft spacing was only 70% efficient in draining the targeted reservoir so determined that 280 ft is optimal. IPT concluded that the optimum well design configuration numbers for the development of the field are:

- Wells spaced 1,320 ft apart;
- 5,200 ft long laterals
- 280 ft spacing between fracs

The second report was by Cawley Gillespie & Associates (CGA). CGA used the results of the IPT study, combined with existing well performance, and analysis of the 3D seismic data and undertook economic analyses of two development scenarios for the Heintschel field using horizontal fracced wells. CGA then calculated the volumes of hydrocarbons which could be expected to be produced from a number of well locations in the field using specific drilling and completion parameters.

Two scenarios were modelled and both produced a positive Net Present Value (NPV), however the preferred model (which maximises the NPV results) involves drilling 7 new horizontal wells, each with 14 to 30 frac stages spaced 85m (280 feet) apart.

This model predicts that the 4 existing and 7 proposed new wells would produce:

a) 809,000 barrels of condensate; plus
b) 1,404,000 barrels of NGL, and
c) 29.275 billion cubic feet of gas
d) With a NPV of USD$24.7m

Further information on the CGA results for the preferred development model are contained in Burleson's ASX release dated 8 July 2014.

Both studies utilised the following assumptions:

- water production in future wells would be higher than was observed in any of the 4 producing wells
- oil prices would drop to US$73 per barrel within 4 years
- dry gas prices would fall to around US$3.80/mcf
- reservoir quality throughout the field would be the same as in the T2H well

The implications of these studies for the Group are that development of the Heintschel field is commercially viable in a favourable oil and gas price environment and that the asset has a positive economic value. During the year, the Group continued the process of farming-out and/or selling the asset in order to realise value for Burleson's shareholders.

Directors' Report – continued

Petroleum Reserves

On 25th November 2011, Burleson announced the results of its independent reserve report prepared by DeGolyer & MacNaughton (D&M). Burleson has not updated this report but the ASX guidelines for reporting reserves have changed (ASX Listing Rule 5.25 through to and including 5.28).

Accordingly, Burleson reiterates its previous announced petroleum reserves as per below.

a) The date of the Appraisal Report prepared by DeGolyer and MacNaughton was 31 October 2011;

b) The report only presented proved and probable reserves;

c) The proved and probable reserves presented therein were prepared in accordance with the Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers (SPE);

d) As per the 25th November 2011 ASX release, Burleson's economic interest in the estimated Petroleum Reserves, net of royalties remain as previously reported being:

	Condensate Boe	NGL boe	Dry Gas bcf
PDP	8,000	25,000	0.500
PUD	108,000	166,000	3.307
Total Proved	116,000	191,000	3.807
Probable	170,000	258,000	5.133
Total 2P	286,000	449,000	8.940

e) Net reserves being that portion of gross reserves attributable to the interests owned by Burleson after deducting royalties and interests owned by others;

f) These reserves were determined by D&M using the probabilistic method; and

g) These reserve results have not been adjusted for production since the report date and were calculated prior to the drilling of the T2H well.

New exploration prospects generated by 1K3D Project

Following the acquisition of 3D seismic data in Colorado County in 2008 (CC3D) by the Group and its joint operation partners, the seismic contractor gave the joint operation parties the rights, free of charge, to up to 1000 sq miles of 3D seismic (or equivalent 2D) from their extensive data base. This arrangement lapsed in the 2013 financial year but not before operator AKG identified areas of interest (located mainly in Texas) and secured several 2D and 3D data packages. The Group and its joint operation partners licensed 828 sq. miles of 3D seismic and 1246 line miles of 2D seismic (where no 3D exists).

The data has been incorporated into AKG's system and analysed. The result has been that numerous oil and liquids-rich gas prospects at various depths and in a range of reservoir horizons, have been identified and are now being pursued. To date some 50 highly ranked ("tier one") prospects have been identified – mainly shallow oil prone targets. During the year the Group engaged in discussions with various parties with a view to procuring a farm-out transaction, which would enable Burleson to drill one or more of these targets. To date, these discussions have not resulted in a farm-out transaction.

The work on the 1K3D Project has added to the Group's already impressive list of existing prospects which include Peikert (a Heintschel look-a-like), Woppa (a very large, deep, Edwards reef with 600 bcf potential), Midway and Navarro shale which have been shown to be oil prone just to the North East of our CC3D area, and some deeper Wilcox prospects.

Directors' Report – continued

Strategy and Outlook

The Board believes that Burleson's assets have the potential to significantly increase the value of the Company. However, realisation of this strategy will require the identification of a large partner or multiple partners to fund some or all of the opportunities available to the Group. Given the decline in oil and gas prices during the year to 30 June 2015, this will be difficult to achieve in the short term.

The strategy of the Group with respect to its oil and gas assets involves the following elements:

- Continue to pursue a farm-out or sale of the Heintschel field to a larger company with the financial resources to undertake the scale of drilling required for full field development, in order to unlock value for Burleson shareholders;
- Identify and develop new exploration prospects within a 1,000 square mile 3D seismic database, in which Burleson has a major share. Drilling of these prospects is dependent on the successful negotiation of lease agreements for the relevant acres and procuring farm-out transactions;
- Continue to define and evaluate exploration prospects on the Company's existing acreage on a cost efficient basis, including shallow targets and the very large and deep Woppa prospect; and
- Whilst the above activities are being pursued, maximise the Company's cash through tight control of costs.

Burleson is receptive to material corporate transactions, such as mergers or acquisitions of substantial assets, which would take the Group in a new corporate direction. During 2015, the Board engaged with several groups in relation to these types of transactions but was unable to finalise terms acceptable to Burleson. However, it is the Board's intention to continue to pursue these transformative transactions if they can be demonstrated to improve the value of the existing shares of Burleson.

2 INFORMATION ON DIRECTORS

The Directors of the Group at any time during or since the end of the period are:

MR MICHAEL SANDY
Executive Chairman

Michael Sandy was appointed Executive Chairman on 8 October 2013 following the retirement of Norm Zillman from the Board. Up to that date he was Managing Director.

Mike is a geologist with 40 years' experience in the resources industry. He holds a Bachelor of Science (Hons) majoring in geology from the University of Melbourne and is a member of the Petroleum Exploration Society of Australia and the Australian Institute of Company Directors. He is the principal of consultants Sandy Associates Pty Ltd, which provides services to energy companies in Australia, USA and internationally. He commenced his career as a minerals geologist with various mining exploration companies, as well as the Australian research organisation, CSIRO. In 1982 he moved into petroleum geology, initially with the PNG government and later with Oil Search and as a consultant to various oil and gas exploration companies.

In 1994 Mike helped establish Novus Petroleum Limited and held various senior roles including Executive Committee member, Business Development Manager and President of Novus USA (the latter based in Houston) until Novus was taken over in 2004. He is a founding director of BUR and is currently a non-executive director of Tap Oil Limited (ASX:TAP) and MEO Australia (ASX:MEO). During the last three years he was also a director of Caspian Oil & Gas Limited (ASX: CIG), which was renamed Equus Mining Limited (ASX: EQE), from which he resigned on 15 February 2013 and Hot Rock Limited (ASX:HRL), from which he resigned on 15 September, 2014.

DR ANDREW KUGLER JR
Non-Executive Director

Dr Andrew Kugler, Jr is a geologist and geophysicist with more than 40 years of experience in the oil and gas industry. He holds a Bachelor of Science Geology from Yale University (USA), a PhD in Geology from

Directors' Report – continued

University of Tasmania and is a member of the American Association of Petroleum Geologists and a registered Certified Petroleum Geologist (#4912).

Andrew is currently the President and CEO of AKG Oil Company, AKG Operating Company and a General Partner of AKG Energy L.P, all of which are dedicated to oil and gas exploration and development in Texas. Although based in Austin, Texas since 1980, his companies have had exploration offices in Dallas, Denver, Australia, and Papua New Guinea.

Andrew has many years of geological and geophysical experience both internationally and in the USA. He began his career in the petroleum industry with Continental Oil Company in 1965 and joined Gulf Oil Company in 1968, working on international projects with both companies. In 1974 he left Gulf Oil Company to enter the oil and gas industry independently. His companies and partners have drilled, or caused to be drilled, wells both onshore and offshore in Australia and Papua New Guinea, and hundreds of wells in the onshore continental USA. No directorships were held in other listed entities for the past three years.

MR ALEXANDER SUNDICH
Executive Director / Company Secretary

Alex Sundich is an Executive Director of Palladion Partners, an independent corporate advisory firm he co-founded in 2013. He is an experienced investment banker and corporate executive, having previously worked as a banker for Credit Suisse First Boston and Goldman Sachs, where he was responsible for advising oil and gas and mining companies on mergers and acquisitions and capital raisings, including for an extended period in the United States. From 2003 to 2006, Alex was the Chief Financial Officer of Record Investments Limited, an ASX 200 listed investment company. He also served as a Non-Executive Director of Eastern Star Gas, an ASX listed oil and gas company, from 2007 until its takeover in 2011 for approximately $900 million.

Alex holds a Bachelor of Economics from the University of Sydney and a Master of Commerce from the University of New South Wales. He is a member of the Institute of Chartered Accountants in Australia, the Australian Institute of Company Directors and is a Fellow of the Financial Services Institute of Australia. Alex is currently the non-executive chairman of Petrel Energy Limited (ASX: PRL) and a non-executive director of Ellex Medical Limited (ASX: ELX).

Alex was appointed an Executive Director and the Chief Financial Officer of Burleson on 13 March 2012 and resigned from the Board on 6 February 2013. He was re-appointed to the Board on 8 October 2013 and was appointed Company Secretary on 20 February 2014.

3 COMPANY SECRETARY

Mr Alex Sundich is the Company Secretary and was appointed in this capacity on 20 February 2014.

4 DIRECTORS MEETINGS

The number of directors meetings and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board meetings attended	Meetings eligible to attend
Mr Michael Sandy	6	6
Dr Andrew Kugler Jr	6	6
Mr Alexander Sundich	6	6

Directors' Report – continued

5 DIVIDENDS

No dividends were paid or declared or have been paid or declared during and subsequent to the year ending 30 June 2015.

6 EVENTS SUBSEQUENT TO REPORTING DATE

Except for the matters noted below, 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 and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future periods other than the matters noted in this Report.

On 16 September 2015, Burleson announced a capital raising which secures $1.26 million of additional funding for the Company. The capital raising consists of a Share Placement to raise $210,444 and a Rights Issue to raise $1.05 million.

The Placement was made to institutional and sophisticated investors and was completed on 16 September 2015. A total of 105,222,285 shares were issued under the Placement, representing 25% of the Company's issued capital. The issue price of the Placement Shares is 0.2cents per share which equals the last closing price on Thursday, 10th September 2015. The new Placement shares will be issued under ASX Listing Rules 7.1 and 7.1A and will rank equally with the existing shares, including in relation to the upcoming Rights Issue. The proceeds of the Placement will be to provide the Group with additional working capital.

Burleson is also undertaking a 1:1 pro rata renounceable Rights Issue of approximately 526,111,441 fully paid ordinary shares to raise approximately $1,052,222. The issue price of the new shares under the Rights Issue is $0.002 each. The Company lodged a prospectus for the Offer (Prospectus) with ASIC and the ASX on 18 September 2015. A copy of the Prospectus is available on ASX's and Burleson's website.

The Offer under the Rights Issue is being made to all shareholders of the Company who are named on its share register on 25 September 2015, whose registered address is in Australia or New Zealand. The new shares issued under the Rights Issue will rank equally with all fully paid ordinary shares of the Company already on issue. Following completion of the Rights Issue, the Company will have issued approximately 526,111,441 New Shares resulting in total Shares on issue of approximately 1,052,222,882.

The Rights Issue is fully underwritten and lead managed by Patersons Securities Limited.

The use of proceeds of the Rights Issue is summarised in the following table:

Proceeds of the Rights Issue	Full Subscription ($)	%
Evaluation of new projects	500,000	47.5%
Maintenance of existing assets	300,000	28.5%
Expenses of the Offer	125,005	11.9%
Working capital	127,217	12.1%
Total	$1,052,222	100.0%

Directors' Report – continued

7 LIKELY DEVELOPMENTS

Likely developments are included within the Operations Review in this Report, under "Strategy and Outlook" above. Disclosure of any further information has not been included in this Directors' Report because, in the opinion of the Directors, to do so would be speculative and not in the best interests of the Group.

8 ENVIRONMENTAL REGULATIONS

The Group is subject to state and federal environmental regulation in respect of its exploration and production of petroleum and gas properties in Texas, USA. Any exploration or operation activity that may have an impact on the environment has to be approved before drilling or other operations commence. The Group is not aware of any environmental issues that have arisen from current activities.

9 DIRECTORS' INTERESTS

The relevant interest of each Director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary Shares	Listed Options	Unlisted Options(1)	Total Options
Mr M Sandy	7,385,188	-	2,500,000	2,500,000
Dr A Kugler Jr	4,523,333	-	2,500,000	2,500,000
Mr A Sundich	13,000,000	-	2,500,000	2,500,000

(1) On 5 December 2012, Burleson issued 18,500,000 unlisted options over ordinary shares to directors and officers of the Group. Details as described in Note 8 of the Consolidated Financial Statements.

10 SHARE OPTIONS

During the year to 30 June 2015, no Burleson share options were issued or expired.

On 30 September 2013, a total of 138,790,178 listed options over ordinary shares (ASX code: BUROA) expired unexercised. Each Option entitled the holder to subscribe for one ordinary share at an issue price of $0.10 on or before 30 September 2013. At the date of this Report there are no listed options on issue.

On 25 November 2013, Burleson agreed to issue 4,000,000 unlisted options over ordinary shares to Mr Andrew Bald as part of his remuneration package. These options, which were announced at the time of Mr Bald's appointment, have an exercise price of $0.03 per share and expire on 1 December 2016 and are not subject to any vesting periods. In the event that all options are exercised, Burleson would raise total options proceeds of $120,000. Based on the company's current issued capital of as at 30 June 2015 of 420,889,133 the dilution effect of the exercise of these options would be 0.95%. The closing price of Burleson shares on the date that the Company agreed to issue the options to Mr Bald was 1.2 cents. Using the Black Scholes valuation methodology (and assuming a 3.0% pa risk free rate and 45% volatility), the value of the options was determined to be 0.1 cent per option. At this valuation, the total cost of the options issued was $4,000. During the year and up to the date of this report, there were no other options granted to directors or officers as part of their remuneration.

Directors' Report – continued

Unissued ordinary shares under option

Details of unlisted options for ordinary shares on issue at the date of this report are as follows:

Unlisted Options

	2015 Number of options	**2015 $**	2014 Number of options	2014 $
Opening balance (1 July) (1)	**22,500,000**	**34,843**	18,500,000	30,843
New Issue (2)	**-**	**-**	4,000,000	4,000
Closing balance (30 June)	**22,500,000**	**34,843**	22,500,000	34,843

(1) On 5 December 2012, Burleson issued 18,500,000 unlisted options over ordinary shares to directors and officers of the Group. Details as described in Note 8 of the Consolidated Financial Statements.
(2) On 25 November 2013, Burleson issued 4,000,000 unlisted options over ordinary shares to Mr Andrew Bald as part of his remuneration package. Details are as described above.

11 Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for directors and executives of Burleson Energy Limited.

The information provided in this Remuneration Report has been audited as required by Section 308 (3C) of the Corporations Act 2001.

The Group's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Details of the remuneration of the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of Burleson Energy are set out on pages 12 to 15 of this report.

Service agreements

The Executive Chairman, Mr Michael Sandy is engaged by the Group under a consulting contract. The general terms of the contract are as follows:

- Mr Sandy receives fixed remuneration of $10,000 per month.
- Mr Sandy is entitled to reimbursement of all travel and out of pocket expenses.
- Mr Sandy may resign from his position and thus terminate this contract by giving one month written notice.
- The Group may terminate this consulting agreement by providing one month written notice or providing payment in lieu of the notice period.
- No termination benefits provided for at the date of this report.
- The above was varied by mutual agreement with the Company such that effective from 30 April 2015 fixed monthly payments on all the Company's service and consulting contracts cease. From 1 May 2015, all consultants and contractors, including Mr Sandy will accrue fees at a fixed rate of $1,000 per day (on a needs basis), with any material work to be approved in advance by the Chairman. In addition, from 1 May 2015 Mr Sandy receives fixed directors' fees of $2,000 per month.

Directors' Report – continued

The Chief Executive Officer, Mr Andrew Bald is engaged by the Group under a consulting contract. The general terms of the contract are as follows:

- Mr Bald receives fixed remuneration of $10,000 per month from his appointment date of 1 December 2013.
- Mr Bald is entitled to reimbursement of all travel and out of pocket expenses.
- Mr Bald may resign from his position and thus terminate this contract by giving one month written notice.
- The Group may terminate Mr Bald's consulting agreement by providing one month written notice or providing payment in lieu of the notice period.
- No termination benefits provided for at the date of this report.
- The above was varied by mutual agreement with the Company such that effective from 30 April 2015 fixed monthly payments on all the Company's service and consulting contracts cease. From 1 May 2015, all consultants and contractors, including Mr Bald will accrue fees at a fixed rate of $1,000 per day (on a needs basis), with any material work to be approved in advance by the Chairman.

Mr Alexander Sundich is engaged by the Group as an executive under a consulting contract. The general terms of the contract are as follows:

- Mr Sundich receives a fixed remuneration of $10,000 per month.
- Mr Sundich is entitled to reimbursement of all travel and out of pocket expenses.
- Mr Sundich may resign from his position and thus terminate this contract by giving one month written notice.
- The Group may terminate this consulting agreement by providing one month written notice or providing payment in lieu of the notice period.
- No termination benefits provided for at the date of this report.
- The above was varied by mutual agreement with the Company such that effective from 30 April 2015 fixed monthly payments on all the Company's service and consulting contracts cease. From 1 May 2015, all consultants and contractors, including Mr Sundich will accrue fees at a fixed rate of $1,000 per day (on a needs basis), with any material work to be approved in advance by the Chairman. In addition, from 1 May 2015 Mr Sundich receives fixed directors' fees of $2,000 per month.

Project management fees of $338,471 (2014: $457,792) have been paid to AKG Energy L.P., which is a personally related entity to Dr A Kugler Jr., a director of the Group.

No other key management personnel are subject to Service Agreements.

Remuneration to Shareholder Wealth and Performance

The Directors and executives hold significant numbers of shares and options in the Company. On 25 November 2013, Burleson issued 4,000,000 unlisted options over ordinary shares to Mr Andrew Bald as part of his remuneration package, as described above. On 5 December 2012, Burleson issued 18,500,000 unlisted options over ordinary shares to Directors and consultants, as described in Note 8 of the Consolidated Financial Statements. The Board continuously monitors the link between the creation of shareholder wealth performance and the financial rewards for the executives and Directors.

Directors' Report – continued

Key Management Personnel and Executives - Name, Position and Date held

	Position	Date Appointed / Resigned
M Sandy	Managing Director	Appointed – 1 February 2006 Resigned – 8 October 2013
M Sandy	Executive Chairman	Appointed – 8 October 2013
A Kugler Jr	Non- Executive Director	Appointed – 28 February 2006
A Sundich	Executive Director	Appointed – 13 March 2012 Resigned – 6 February 2013 Appointed – 8 October 2013
A Sundich	Company Secretary	Appointed – 20 February 2014
A Bald	Chief Executive Officer	Appointed – 1 December 2013
N Zillman	Non Executive Chairman	Appointed - 25 March 2008 Resigned – 8 October 2013
K Lynn	Company Secretary	Appointed - 13 March 2008 Resigned – 20 February 2014

Year Ended 30 June 2015

Short Term	Salary & Fees	Cash Bonus	Non-monetary	Post-Employment Superan-nuation	Share-Based Payments		TOTAL
	$	$	$	$	$	%	$
Directors							
M Sandy	107,000	-	-	-	-	-	107,000
A Kugler	24,000	-	-	-	-	-	24,000
A Sundich	107,000	-	-	-	-	-	107,000
Executives							
A Bald	103,000	-	-	-	-	-	103,000
TOTAL	**341,000**	**-**	**-**	**-**	**-**	**-**	**341,000**

Year Ended 30 June 2014

Short Term	Salary & Fees	Cash Bonus	Non-monetary	Post-Employment Superan-nuation	Share-Based Payments		TOTAL
	$	$	$	$	$	%	$
Directors							
N Zillman (2)	8,000	-	-	-	-	-	8,000
M Sandy	120,000	-	-	-	-	-	120,000
A Kugler	24,000	-	-	-	-	-	24,000
A Sundich (3)	120,000	-	-	-	-	-	120,000
Executives							
A Bald (1)	80,000	-	-	-	4,000	5.0%	84,000
K Lynn (4)	32,000	-	-	-	-	-	32,000
TOTAL	**384,000**	**-**	**-**	**-**	**4,000**	**-**	**388,000**

(1) Represents 4,000,000 unlisted options over ordinary shares issued to Mr Andrew Bald as part of his remuneration package. Details are as described above.
(2) Resigned from the Board on 8 October 2013.
(3) Resigned from the Board on 6 February 2013. Re-appointed to the Board on 8 October 2013.
(4) Resigned as Company Secretary on 20 February 2014.

Directors' Report – continued

Policy for determining remuneration
The board is responsible for determining the remuneration policy for all directors and company executives based upon the Group's nature, scale and scope of operating requirements and any other factors which the board determines to be appropriate in determining said remuneration policy.

Short Term Cash Incentives
Key management personnel are paid a fixed, cash amount plus any additional statutory superannuation requirements. The board has determined the current key management personnel remuneration as detailed in the above table.

Other Payments
No other payments are due to key management personnel.

Long Term Benefits
Key management personnel currently have no right to termination or long term leave payments.

Equity Based Benefits
The Group does not currently have any equity based remuneration arrangements for any personnel other than as disclosed above.

Post Employment Benefits
Key management personnel or other personnel do not receive retirement benefits in any form upon termination of their employment or service.

Performance Related Benefits
The Group does not provide either incentive or performance based payments/benefits related to the Group's performance to key management personnel. The current remuneration received by key management personnel is fixed and is in no way related to the Group's performance.

Financial Performance of the Group
As the Group's focus is on exploration activities, it is considered inappropriate to link the Group's current remuneration policy for key management personnel to the Group's performance.

End of Audited Remuneration Report.

12 INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

The Group has agreed to indemnify at a cost of $18,820 (2014: $18,739), the following current directors and officers of the Burleson Energy Limited, Mr M Sandy, Dr A Kugler Jr, Mr A Sundich and Mr A Bald and the following former directors and officers, Mr G MacMillan, Mr A Barton, Mr S Shah, Mr M Smartt, Mr J McAlwey, Mr K Kugler, Mr N Zillman and Mr K Lynn against all liabilities to another person (other than the Group or related body corporate) that may arise from their position as directors and officers of the Group and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Group will meet the full amount of any such liabilities, including costs and expenses.

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

The Group has not given any indemnity or entered into an insurance agreement to indemnify the Auditor.

Insurance premiums

During the period the Group has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former directors and officers, including senior executives of the Group and directors, senior executives of and secretaries of its controlled entities.

Directors' Report – continued

13 PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied to the Court for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in or on behalf of the Group with leave of the Court.

14 AUDITOR

Rothsay Chartered Accountants continue in office as the Group's auditor in accordance with section 327 of the Corporations Act 2001.

Rothsay Chartered Accountants did not provide any non-audit services to Burleson during the year, except for a review of the Group's Corporate Governance Statement.

15 AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration, as required under Section 307C of the Corporations Act 2001, is set out on page 28 and forms part of the directors' report for period ended 30 June 2015.

This report is made in accordance with a resolution of the directors, pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the directors

Michael Sandy
Executive Chairman

Dated at Sydney 30 September 2015

Corporate Governance Statement

Approach to Corporate Governance

Burleson Energy Limited (Company) has established a corporate governance framework, the key features of which are set out in this statement. In establishing its corporate governance framework, the Company has referred to the ASX Corporate Governance Council (the Council) Principles and Recommendations ("the ASX Principles") and in particular has updated its framework in light of the release of the 3rd edition of the ASX Principles which are applicable for financial years commencing on or after 1 July 2014. The Company has continued to follow each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained it reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at http://www.burlesonenergyltd.com/content/corporate-governance, under the section marked "About Us", "Corporate Governance":

Charters

- Board
- Audit Committee
- Nomination Committee
- Remuneration Committee

Policies and Procedures

- Policy and Procedure for Selection and (Re) Appointment of Directors
- Process for Performance Evaluations
- Policy on Assessing the Independence of Directors
- Diversity Policy (summary)
- Code of Conduct
- Whistleblower Policy
- Policy on Continuous Disclosure
- Compliance Procedures (summary)
- Procedure for the Selection, Appointment and Rotation of External Auditor
- Shareholder Communication Policy
- Risk Management Policy

The Company reports below on whether it has followed each of the recommendations during the twelve months to 30 June 2015 (Reporting Period). The information in this statement is current at 30 September 2015.

Board

Roles and responsibilities of the Board and Senior Executives
(Recommendations: 1.1)

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter, which is disclosed on the Company's website.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting the Chief Executive Officer (CEO) and assisting the Managing Director in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, directly to the Chair or the lead independent director, as appropriate.

Skills, experience, expertise and period of office of each Director
(Recommendation: 1.2, 2.2, 2.6)

A profile of each Director setting out their skills, experience, expertise and period of office is set out on pages 8 to 9 of the Directors' Report. The matrix mix of skills and diversity for which the Board is looking to achieve in membership of the Board is represented by the Board's current composition. The skills matrix, qualifications and experience of the existing Board is geological; geophysics; public company experience; and financial. The Board considers that this composition is appropriate for the effective execution of the Board's responsibilities and the size and operations of the Company as a manager of joint operation drilling operations.

New Directors are introduced into the Company's processes and policies through an induction process which includes meetings with senior management and other Directors as well as being trained on the Company's Board Charter and related policy documents upon joining. All Directors are encouraged to participate in ongoing professional development both in their area of technical expertise and in the skills required to effectively execute the role of being a director.

Director independence
(Recommendations: 2.3, 2.4, 2.5)

The Board does not have any independent directors. The Board considers that the current size and composition of the Board is appropriate for the execution of the Board's responsibilities and the size and operations of the Company as a manager of joint operation drilling operations. The Board periodically monitors the need to appoint additional independent directors. However, in 2013 the Board reduced its size from five to three members as part of its cost reduction initiatives.

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the ASX Corporate Governance Principles and Recommendations and the Company's materiality thresholds. The Board has agreed on the following guidelines, as set out in the Company's Board Charter for assessing the materiality of matters:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost which triggers any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The non-independent directors of the Company are Michael Sandy, Andrew Kugler and Alex Sundich.
Details regarding the Directors, including experience and qualifications, are set out in the Directors' Report.

During the Reporting Period the Company appointed a Chief Executive Officer, Mr Andrew Bald, who is not a director. Since his appointment, Mr Bald has attended all Board meetings and is an active participant in proceedings.

Independent professional advice

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

Selection and (Re) Appointment of Directors
(Recommendation: 1.2, 1.3)

Before the Board appoints a new Director or puts forward a candidate for election, the Committee will ensure that appropriate background checks are undertaken.

Shareholders shall be informed of the names of candidates submitted for election as directors. In order to enable shareholders to make an informed decision regarding the election, the following information shall be supplied to shareholders:

1. biographical details (including competencies and qualifications and information sufficient to enable an assessment of the independence of the candidate);
2. details of relationships between the candidate and the Company; and the candidate and Directors of the Company;
3. directorships held;
4. particulars of other positions which involve significant time commitments;
5. the term of office currently served by any Directors subject to re-election; and
6. any other particulars required by law.

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed process whereby it evaluates the mix of skills, experience and expertise of the existing Board. In particular, the Nomination Committee (or equivalent) is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. An election of directors is held each year. Each director other than the Managing Director (if any), must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or one third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

Upon appointment, each Director receives a letter of appointment which sets out the formal terms of their appointment, along with a deed of indemnity, insurance and access.

The Company's Policy and Procedure for the Selection and Re (Appointment) of Directors is disclosed on the Company's website.

Company Secretary
(Recommendation: 1.4)

The Company Secretary is to maintain a register of notifications and clearances given in relation to trading in the Company's securities. The Company Secretary must report all notifications of dealings in the Company's securities to the next Board meeting of the Company.

The Managing Director is responsible for appointing and, where appropriate, removing the company secretary, with the approval of the Board.

Details regarding the Company Secretary, including experience and qualifications, are set out in the Directors' Report.

Board committees

Nomination Committee
(Recommendations: 2.1)

The Board has not established a separate Nomination Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated to it in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

As noted above, the full Board carries out the role of the Nomination Committee. The full Board did not officially convene in its capacity as a Nomination Committee during the Reporting Period, however nomination-related discussions occurred from time to time during the year as required.

The Board has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Nomination Committee.

The Company's Nomination Committee Charter is disclosed on the Company's website.

Audit Committee
(Recommendations: 4.1, 4.3)

The Board has not established a separate Audit Committee and therefore it is not structured in compliance with Recommendation 4.2. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Audit Committee. Accordingly, the Board performs the role of Audit Committee. Items that are usually required to be discussed by an Audit Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Audit Committee it carries out those functions which are delegated to it in the Company's Audit Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Audit Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The Company has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Audit Committee.

The full Board in its capacity as the Audit Committee held two meetings during the Reporting Period. Details of director attendance at meetings of the full Board, in its capacity as the Audit Committee, during the Reporting Period are set out in a table in the Directors' Report on page 9. When the full Board meets in its capacity as the Audit Committee Dr Andrew Kugler Jr chairs the meeting.

Details of each of the director's qualifications are set out in the Directors' Report on pages 8 to 9. All members of the Board consider themselves to be financially literate and have industry knowledge. Alexander Sundich, who was appointed to the Board on 8 October 2013, is CFO and is a Chartered Accountant.

The Company has established a Procedure for the Selection, Appointment and Rotation of its External Auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

A partner of Rothsay Chartered Accountants, the Company's auditor during the year, was available at the most recent AGM and will be available at the next AGM to answer questions from Shareholders. It is the policy of the Board to always request auditor presence at AGMs.

The Company's Audit Committee Charter and Procedure for Selection, Appointment and Rotation of External Auditor are disclosed on the Company's website.

Remuneration Committee
(Recommendations: 8.1, 8.2, 8.3)

The Board has not established a separate Remuneration Committee and accordingly it is not structured in accordance with Recommendation 8.1. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of Remuneration Committee. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated to it in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Remuneration Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board in its capacity as the Remuneration Committee did not meet during the Reporting Period however, remuneration-related discussions were held by the Board from time to time as required.

To assist the Board fulfil its function as the Remuneration Committee, the Board has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Remuneration Committee.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report and commences on page 12. The Company's policy on remuneration clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. Given the Company is at its early stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue unlisted options to non-executive directors, subject to obtaining the relevant approvals. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

Whilst the Company has awarded ad-hoc equity based remuneration in the past, there is no formal equity based remuneration scheme in place. Recommendation 8.3 of the ASX Principles is therefore not applicable.

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

The Company's Remuneration Committee Charter is disclosed on the Company's website.

Performance evaluation

Senior executives
(Recommendations: 1.7)

The Executive Chairman in consultation with the Board reviews the performance of the Senior Executives. The current size and structure of the Company allows the Executive Chairman to conduct informal evaluation of the Company's senior executives regularly. Open and regular communication with senior executives allows the Executive Chairman to ensure that senior executives meet their responsibilities as outlined in their contracts with the Company, and to provide feedback and guidance, particularly where any performance issues are evident. Annually, individual performance may be more formally assessed in conjunction with a remuneration review.

During the Reporting Period an evaluation of senior executives took place in accordance with the process disclosed.

Board, its committees and individual directors
(Recommendations: 1.6)

The Chair is responsible for evaluation of the Board and individual directors. The Board has not established any committees.

The Chair evaluates the performance of the Board and individual directors by way of ongoing review with reference to the composition of the Board and its suitability to carry out the Company's objectives. The Chair reports back to the Board as to its performance at least annually.

Given the current size and structure of the Company, the performance of the Chief Executive Officer is evaluated informally through open and regular communication with the Board during which feedback, guidance and support is provided. Annually, the Chief Executive Officer's performance may be more formally assessed in conjunction with a remuneration review.

During the Reporting Period an evaluation of the Board, individual directors and the Chief Executive Officer took place in accordance with the process disclosed.

The Company's Process for Performance Evaluation is disclosed on the Company's website.

Ethical and responsible decision making

Code of Conduct
(Recommendations: 3.1)

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company has also established a Whistleblower Policy. The aim of the policy is to ensure that directors, officers and employees comply with their obligations under the Code of Conduct. It also encourages reporting of violations (or suspected violations) and provides effective protection from victimisation or dismissal to those reporting by implementing systems for confidentiality and report handling.

The Company's Code of Conduct and Whistleblower Policy are disclosed on the Company's website.

Diversity
(Recommendations: 1.5)

The Company has established a Diversity Policy, which includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress towards achieving them.

The Board does not intend to set measurable objectives for achieving gender diversity at this stage. The Board considers that due to the Company's current operations, size and number of employees it is not in a position to set meaningful objectives. The Board will review this position as the Company's circumstances change.

The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board as at 30 June 2015 are set out in the following table:

	Proportion of women
Employees in whole organisation	0 out of 0 (0%)
Senior executive positions	0 out of 2 (0%)
Board	0 out of 3 (0%)

A summary of the Company's Diversity Policy is disclosed on the Company's website.

Continuous Disclosure
(Recommendations: 5.1)

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance.

Detailed compliance procedures for ASX Listing Rule disclosure requirements have been adopted by the Company. It appoints an officer of the Company to be responsible for compliance. It is detailed in its application covering the following areas:

1. appointment of the responsible officer and description of his/her duties;
2. identifies area of risk for the Company;

3. provides guidelines for:
    (a) identifying disclosure material; and
    (b) monitoring share price movements;
4. guide for use of trading halts;
5. guide for decision making process;
6. details on record keeping;
7. education of Board and management;
8. confidentiality;
9. release of disclosure material; and
10. updating of compliance procedures.

A summary of the Company's Policy on Continuous Disclosure and Compliance Procedures are disclosed on the Company's website.

Shareholder Communication
(Recommendations: 6.1, 6.2, 6.3, 6.4)

Investors and other stakeholders can find information about the Company on its website http://www.burlesonenergyltd.com/. Information on the Company's corporate governance practices can be found at http://www.burlesonenergyltd.com/about-us/corporate-governance/

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

Electronic Communication

The Company makes available on its website the following information on a regular and up-to-date basis:
- Information briefings to media and analysts
- Notices of meetings and explanatory materials
- Financial information including annual reports
- All other Company announcements.

The Company provides shareholder materials directly to shareholders through electronic means. A shareholder may request a hard copy of the Company's annual report to be posted to them.

Meetings

The Company considers general meetings to be an effective means to communicate with shareholders. The Company endeavours to provide a transcript of general meetings to the website for those unable to physically attend the general meetings.

The Company provides information in the notice of meeting that is presented in a clear, concise and effective manner.

The Company's Shareholder Communication Policy is disclosed on the Company's website.

Risk Management
Recommendations: 4.2, 7.1, 7.2, 7.4)

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Chief Executive Officer, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Chief Executive Officer may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

Given the current size and structure of the Company, the Board take an active role in risk management, with all matter before the Company, discussed during Board meeting.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management, which, if proposed to be exceeded, requires prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Company’s system for managing its material business risks includes the use of a risk matrix which identifies the Company’s material business risks and risk management strategies for these risks. The Chief Executive Officer reviews the risk matrix annually, or as required, and presents the risk matrix and any updates to the Board at each Board meeting.

The categories of risk reported on or referred to as part of the Company's systems and processes for managing material business risk are: protection of assets; financial reporting; operational, environmental and sustainability risks.

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received a report from management as to the effectiveness of the Company's management of its material business risks for the Reporting Period.

The Chief Executive Officer and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

A summary of the Company’s Risk Management Policy is disclosed on the Company’s website.

ASX Corporate Governance Council recommendations checklist

The following table sets out the Company's position with regard to adoption of the Principles & Recommendations as at the date of this statement:

Recommendation		**Comply**
Principle 1:	**Lay solid foundations for management and oversight**	
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	☑
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	☑
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	☑
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	☒
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined and published under the Act.	☑
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and • (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	☑
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	☑
Principle 2:	**Structure the board to add value**	
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	☑
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	☑
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors;	☑

Recommendation		**Comply**
	(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	
2.4	A majority of the board of a listed entity should be independent directors.	☒
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	☑
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	☑
Principle 3:	**Act ethically and responsibly**	
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	☑
Principle 4:	**Safeguard integrity in corporate reporting**	
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner	☑
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	☑
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	☑
Principle 5:	**Make timely and balanced disclosure**	
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	☑
Principle 6:	**Respect the rights of security holders**	
6.1	A listed entity should provide information about itself and its governance to investors via its website.	☑
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	☑
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	☑
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	☑
Principle 7:	**Recognise and manage risk**	
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	☑

Recommendation		Comply
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	☑
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	☑
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	☑
Principle 8:	**Remunerate fairly and responsibly**	
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	☑
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	☑
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	☒

ROTHSAY

CHARTERED ACCOUNTANTS

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead auditor of Burleson Energy Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Burleson Energy Limited and the entities it controlled during the year.

Frank Vrachas

Partner

Rothsay Chartered Accountants

Sydney, 30 September 2015

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CHARTERED ACCOUNTANTS AUSTRALIA • NEW ZEALAND

Consolidated Statement of Profit and Loss and Other Comprehensive Income
For the year ended 30 June 2015

	Note	Consolidated 2015 $	Consolidated 2014 $
Revenue	2a	**966,502**	1,575,020
Other Income	2a	**-**	-
Legal and professional fees		**-**	-
Directors and consultants expenses		**(381,697)**	(428,000)
ASX fees and share registry expenses		**(46,082)**	(28,649)
Foreign exchange gains / (losses) (unrealised)		**358**	(77,558)
Insurance		**(19,124)**	(18,993)
Exploration and evaluation costs written off	2b	**(1,671,503)**	(1,747,993)
US operating and administrative costs		**(191,623)**	(133,681)
Other expenses		**(149,040)**	(211,129)
Profit / (loss) before income tax	2b	**(1,492,209)**	(1,070,983)
Income tax expense	3	**-**	-
Profit / (loss) for the year attributable to owners of Burleson Energy Limited		**(1,492,209)**	(1,070,983)
Other Comprehensive Income			
Items that may be classified to profit or loss			
Foreign exchange differences on translation of foreign controlled entities net of income tax; nil (2014: nil)		**177,357**	39,034
Total Comprehensive Income / (Loss) for the year attributable to owners of Burleson Energy Limited		**(1,314,852)**	(1,031,949)
Earnings / (loss) per share attributable to owners of the Company:			
Basic earnings / (loss) per share (cents)	4	**(0.4)**	(0.3)
Diluted earnings / (loss) per share (cents)	4	**(0.4)**	(0.3)

This Consolidated Statement of Profit and Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position
As at 30 June 2015

	Note	**Consolidated 2015 $**	Consolidated 2014 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	**412,247**	1,700,345
Trade and other receivables	6	**131,058**	209,612
Total current assets		**543,305**	1,909,957
Total assets		**543,305**	1,909,957
LIABILITIES			
Current Liabilities			
Trade and other payables	7	**81,542**	133,342
Total current liabilities		**81,542**	133,342
Total liabilities		**81,542**	133,342
Net assets		**461,763**	1,776,615
EQUITY			
Contributed Equity	8	**30,245,525**	30,245,525
Reserves	9	**3,459,382**	3,282,025
Accumulated losses		**(33,243,144)**	(31,750,935)
Total equity		**461,763**	1,776,615

This Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2015

	Contributed Equity	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	General Reserve	Total
Consolidated	**$**	**$**	**$**	**$**	**$**	**$**
As at 1 July 2013	**30,245,525**	**(30,679,952)**	**2,062,430**	**960,061**	**216,500**	**2,804,564**
Total comprehensive income for the year						
Profit/(loss) for the year	-	(1,070,983)	-	-	-	**(1,070,983)**
Foreign currency translation reserve differences	-	-	-	39,034	-	**39,034**
Total comprehensive income / (loss) for the year	-	**(1,070,983)**	**-**	**39,034**	**-**	**(1,031,949)**
Transactions with owners in their capacity as owners						
Expiry of options	-	-	(2,031,587)	-	2,031,587	**-**
Contributed equity	-	-	4,000	-	-	**4,000**
	-	**-**	**(2,027,587)**	**-**	**2,031,587**	**4,000**
At 30 June 2014	**30,245,525**	**(31,750,935)**	**34,843**	**999,095**	**2,248,087**	**1,776,615**

	Contributed Equity	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	General Reserve	Total
Consolidated	**$**	**$**	**$**	**$**	**$**	**$**
As at 1 July 2014	**30,245,525**	**(31,750,935)**	**34,843**	**999,095**	**2,248,087**	**1,776,615**
Total comprehensive income for the year						
Profit/(loss) for the year	-	(1,492,209)	-	-	-	**(1,492,209)**
Foreign currency translation reserve differences	-	-	-	177,357	-	**177,357**
Total comprehensive income / (loss) for the year	-	**(1,492,209)**	**-**	**177,357**	**-**	**(1,314,852)**
Transactions with owners in their capacity as owners						
Contributed equity	-	-	-	-	-	**-**
	-	**-**	**-**	**-**	**-**	**-**
At 30 June 2015	**30,245,525**	**(33,243,144)**	**34,843**	**1,176,452**	**2,248,087**	**461,763**

This Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows
For the year ended 30 June 2015

	Note	Consolidated 2015 $	Consolidated 2014 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**1,023,269**	1,614,904
Payments to suppliers, directors and consultants (inclusive of GST)		**(839,365)**	(797,584)
Interest received		**21,786**	41,778
Payments for Exploration and evaluation costs	2b	**(1,671,503)**	(1,747,993)
Net cash inflow (outflow) from operating activities	15	**(1,465,813)**	(888,895)
Net cash inflow from investing activities		**-**	-
Net increase / (decrease) in cash and cash equivalents		**(1,465,813)**	(888,895)
Effect of exchange rates on cash holdings in foreign currencies		**177,715**	(34,811)
Cash and cash equivalents at beginning of year		**1,700,345**	2,624,051
Cash and cash equivalents at end of year	5	**412,247**	1,700,345

This Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements and notes represent those of Burleson Energy Limited and Controlled Entities ("the Consolidated Group", "the Group" or "Burleson"). Burleson Energy Limited is a for-profit entity for the purpose of preparing the financial statements. The financial statements were authorised for issue by the directors of Burleson on 30 September 2015.

1. Significant Accounting Policies

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Burleson Energy Limited at the end of the reporting period. A controlled entity is any entity over which Burleson Energy Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 14 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the Equity section of the Consolidated Statement of Financial Position and Statement of Profit and Loss and Other Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the Statement of Profit and Loss and Other Comprehensive Income.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

1. Significant accounting policies *(continued)*

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Joint Arrangements

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group only has joint operations at this time.

Joint operations

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint arrangements classified as joint operations are set out in note 21.

Joint ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

(b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

1. Significant accounting policies *(continued)*

(c) Foreign currency transactions and balances

(1) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). As the Company is registered and managed in Australia, the consolidated financial statements are presented in Australian dollars, which is Burleson Energy Limited's functional currency. As operations of the controlled entities are based in the US, the functional currency of those entities is US dollars.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in other comprehensive income.

(3) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit and loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate at the end of the reporting period.

(d) Revenue recognition

(1) Oil, gas and condensate sales

Sales are recognised in the financial period during which hydrocarbons are produced, provided that prior to the end of the reporting period they are either sold or delivered in the normal course of business in accordance with agreements with purchasers. Sales revenue represents amounts invoiced, excluding goods and services tax or value added taxes, in respect of sales to customers.

(2) Interest

Interest revenue is recognised using the effective interest rate method.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

1. Significant accounting policies *(continued)*

(e) Exploration and evaluation expenditure

In accordance with AASB 6 *Exploration and Evaluation of Mineral Resources*, exploration and evaluation expenditures are expensed in the year in which they are incurred, until such time as commercially significant production rates are achieved.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and term deposits with original maturities of 90 days or less.

(g) Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified “at fair value through profit or loss” in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm’s length transactions, reference to similar instruments and option pricing models.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at “fair value through profit or loss” when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

1. Significant accounting policies *(continued)*

(ii) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that either do not meet the criteria for classification as any other type of financial asset or are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(v) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Derivative instruments

The Group designates certain derivatives as either:

i. hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
ii. hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the group's risk management objective and strategy for undertaking various hedge transactions is documented.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

1. Significant accounting policies *(continued)*

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items are also documented.

- **i.** *Fair value hedge* - Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit and loss and other comprehensive income, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.
- **ii.** *Cash flow hedge* - The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit and loss and other comprehensive income.

Amounts accumulated in the hedge reserve in equity are transferred to the statement of profit and loss and other comprehensive income in the periods when the hedged item will affect profit or loss.

For the twelve months to 30 June 2015, the Group did not issue or deal in any derivative instruments.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Financial Guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118 *Revenue*. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on– the likelihood of the guaranteed party defaulting in a year period;– the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and– the maximum loss exposed if the guaranteed party were to default.

For the twelve months to 30 June 2015, the Group did not receive or grant any financial guarantees.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(h) Contributed equity

Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised in equity as a reduction of the share proceeds received.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

1. Significant accounting policies *(continued)*

(i) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(j) Employee benefits

Accruals made for employee benefits accumulated as a result of employees rendering services up to the end of the reporting period. These benefits include wages and salaries and annual leave, if applicable.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the end of the reporting period are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the end of the reporting period. In determining the present value of future cash outflows, the market yield as at the end of the reporting period on corporate bonds, which have terms to maturity approximating the terms of the related liability, are used.

Share-based payment transactions

The Group measures the cost of equity-settled transactions by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes option valuation model. The corresponding amount is recorded to the Share Based Payment Reserve. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for equity instruments granted is based on the number of equity instruments that eventually vest.

(k) Provisions

A provision is recognised in the statement of financial position 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. Provisions are measured using the best estimate of amounts required to settle the obligation at the end of the reporting period.

(l) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30 day terms.

(m) Earnings per share (EPS)

Basic earnings per share
Basic EPS is calculated as the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

1. Significant accounting policies *(continued)*

Diluted earnings per share
Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(n) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of Australian goods and services tax (GST) and any United States state taxes, 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 statement of financial position.

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.

(o) Going concern

The financial statements have been prepared on the going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business.

The Group's focus is on exploration activities and the Group experienced material operating losses and cash outflows for the year ended 30 June 2015. Cash and cash equivalents totalled $0.4 million at 30 June 2015, compared with $1.7 million at 30 June 2014.

On 16 September 2015, Burleson announced a capital raising which secures $1.26 million of additional funding for the Group. The capital raising consists of a Share Placement to raise $210,444 and a Rights Issue to raise $1.05 million. On a proforma basis, the cash holdings of the Group following the capital raising will increase from $0.4 million to $1.66 million. Details of this Share Placement and Rights Issue are described in the Subsequent Events disclosure in the Directors' Report.

Based on the Group's current commitments, cash flow budgets and projections and taking into account the extra capital raised through the Share Placement and the additional capital to be raised through the underwritten Rights Issue, the Group has sufficient cash reserves to meet its debts as and when they fall due, and its operating expenses for the twelve month period from the date of this report. Accordingly the financial report has been prepared on a going concern basis.

(p) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

1. Significant accounting policies *(continued)*

(q) Adoption of new and revised accounting standards

During the current year, the following standards became mandatory and have been adopted retrospectively by the Group:

- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*
- AASB 127 *Separate Financial Statements*
- AASB 128 *Investment in Associates and Joint Ventures*
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]*
- AASB 2012-9 *Amendments to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039*
- AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*

The accounting policies have been updated to reflect changes in the recognition and measurement of assets, liabilities, income and expenses and the impact of adoption of these standards is discussed below.

AASB 12 *Disclosure of Interests in Other Entities* includes all disclosures relating to an entity's interest in associates, joint arrangements, subsidiaries and structured entities. On adoption of AASB 12, additional disclosures have been included in the financial statements in relation to investments held.

AASB 13 *Fair Value Measurement* does not change what and when assets or liabilities are recorded at fair value. It provides guidance on how to measure assets and liabilities at fair value, including the concept of highest and best use for non-financial assets. AASB 13 has not changed the fair value measurement basis for any assets or liabilities held at fair value.

AASB 119 *Employee benefits* changes the basis for determining the income or expense relating to defined benefit plans and introduces revised definitions for short-term employee benefits and termination benefits. There were no changes to the accounting for employee benefits under AASB 119.

In accordance with the transition provisions in the standard, the comparative figures have been restated.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

1. Significant accounting policies *(continued)*

(r) New Accounting Standards and Interpretations Effective Subsequent to 30 June 2015

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. The following table summarises those future requirements, and their impact on the Group:

Standard Name	Effective date for entity	Requirements	Impact
AASB 9 Financial Instruments and amending standards AASB 2010-7 / AASB 2012-6 / 2013-9 / 2014-7 / 2014-8	30 June 2016	Changes to the classification and measurement requirements for financial assets and financial liabilities. New rules relating to derecognition of financial instruments.	The impact of AASB 9 has not yet been determined as the entire standard has not been released.
AASB2014-10 Sale or contribution of Assets between an Investor and its Associate or Joint Venture	30 June 2016	Acknowledges the inconsistency between the requirements in AASB 10 and AASB 128 in dealing with the sale or contribution of assets between and investor and its associate or joint venture.	The impact of AASB 2014-10 has not yet been determined as the entire standard has not been released.
AASB2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	30 June 2016	AASB 2015-3 makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031 Materiality as each standard is amended for another purpose	There is not expected to be any changes to the reported financial position, performance or cash flows of the entity.
AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132]	30 June 2015	This standard adds application guidance to AASB 132 to assist with applying some of the offset criteria of the standard.	There will be no impact to the entity as there are no offsetting arrangements currently in place.

(s) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

Key judgments - taxes

Deferred tax assets

Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable revenues being generated against which tax losses will be available for offset.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

1. Significant accounting policies *(continued)*

(s) Critical accounting estimates and judgments *(continued)*

Significant judgement: classification of joint arrangements

The joint agreements in relation to those enumerated in Note 21 require unanimous consent from all parties for all relevant activities. There is an operator and 5 non-operators which own the assets of the oil and gas interests based on their proportionate share. Liabilities are held as several, not jointly or collective, as each party is responsible only for its proportionate share of the costs of developing and operating the oil and gas interests.

The Group has therefore classified its interest in joint arrangements as a joint operation and the group recognises its direct right to the jointly held assets, liabilities, revenues and expenses.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

2. Revenue and Other Income

	Consolidated 2015 $	Consolidated 2014 $
a. Revenue		
Oil, Gas and Condensate Sales	**941,231**	1,528,164
Royalties	**3,485**	5,078
Interest received	**21,786**	41,778
Revenue from continuing operations	**966,502**	1,575,020
Other Income	**-**	-
Total	**966,502**	1,575,020

All revenue is generated through exploration of petroleum and gas properties in Texas counties in the United States.

b. Loss before income tax

The loss before income tax is after the following items:

	Consolidated 2015 $	Consolidated 2014 $
Expenses from continuing operations		
Exploration and evaluation costs written off	**(1,671,503)**	(1,747,993)
Exchange rate gains/(losses) (unrealised)	**358**	(77,558)
Office Rents	**(8,063)**	(7,789)
Defined contributions superannuation expense	**(3,800)**	(3,083)

c. Significant transactions and information on oil and gas assets

There were no significant transactions in the year to 30 June 2015.

Despite the write-off of exploration and evaluation costs for the year to 30 June 2015, an independent reserves audit in 2011 by Degolyer and MacNaughton ("D&M") assigned Proved and Probable ("2P") reserves to the Heintschel field of 2.5 mmb of hydrocarbon liquids (condensate + NGL) and 30 Bcf of dry gas. This equates to 7.5 mmboe for the whole field and 2.9 mmboe net to BUR's working interest of 38%. The area covered by the D&M 2P reserves is approximately 20% of the total area of the field mapped by 3D seismic. D&M estimated the oil and gas in place for the whole field at 9 mmb of hydrocarbon liquids and 111 Bcf of dry gas.

For the year to 30 June 2015, the gross production (100%) from the five operating wells in the Heintschel field was 9,292 mmb of condensate and 431.6 mmcf of natural gas.

3. Income tax expense

The components of tax expense comprise:	**Consolidated 2015 $**	Consolidated 2014 $
Current tax	**-**	-
Deferred tax	**-**	-
Recoupment of prior year losses	**-**	-
Under provision in respect of prior years	**-**	-
Total	**-**	-

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

3. Income tax expense (*continued)*

	Consolidated 2015 $	Consolidated 2014 $
Accounting profit / (loss) before income tax is reconciled to the income tax as follows:	**(1,492,209)**	(1,070,983)
Prima facie tax payable on loss before income tax		
At the Group's statutory income tax rate of 30%	**(447,663)**	(321,295)
	(447,663)	(321,295)
— Exchange losses	**-**	-
— Share-based payments	**-**	1,200
— Other permanent differences	**-**	69
— Difference in overseas tax rate	**(36,933)**	(14,106)
— Recognition of US tax losses previously not identified	**-**	-
Sub total	**(484,596)**	(334,132)
Tax losses and temporary differences not recognised	**484,596**	334,132
Income tax expense	**-**	**-**
Deferred Income Tax Relates to:		
Deferred tax assets		
— Exchange losses	**-**	**-**
— Accruals	**-**	13,577
— Prepayments	**5,521**	5,474
— Capital expenditure not deductible	**1,576**	2,647
— Capital raising costs	**173**	44,592
— Other US temporary differences	**-**	165,985
— Losses carried forward:		
Australia	**2,288,364**	2,057,205
US	**10,339,317**	6,394,287
Total Deferred tax assets not recognised	**12,634,952**	8,683,767
Deferred tax liability		
— Exchange gains	**-**	(681)
— Exploration and evaluation costs	**(455,946)**	-
Total Deferred tax liability offset under set-off provisions	**(455,946)**	(681)
Net deferred tax assets not recognised	**12,179,005**	8,683,086

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

4. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended 30 June 2015 was based on the loss attributable to owners of $1,492,209 (2014: loss of $1,070,983) and the weighted average number of ordinary shares outstanding during the period ended 30 June 2015 of 420,889,156 (2014: 420,889,156) calculated as follows:

Earnings / (Loss) attributable to ordinary shareholders

	Consolidated 2015 $	Consolidated 2014 $
Earnings / (loss) for the year	**(1,492,209)**	(1,070,983)
Earnings / (loss) attributable to owners	**(1,492,209)**	(1,070,983)

Weighted average number of ordinary shares

	Consolidated 2015 Number of shares	Consolidated 2014 Number of shares
Weighted average number of ordinary shares	**420,889,156**	420,889,156
Weighted average number of dilutive options outstanding	**Nil**	Nil
Weighted average number of ordinary shares outstanding during the year used in dilutive EPS calculation	**420,889,156**	420,889,156
Anti-dilutive options on issue not used in dilutive EPS calculation	**22,500,000**	55,577,545

Earnings / (loss) per share for continuing operations

Basic earnings / (loss) per share

	Consolidated 2015	Consolidated 2014
Cents per share	**(0.4)**	(0.3)
Diluted earnings / (loss) per share (cents)	**(0.4)**	(0.3)

Information concerning the classification of securities

Options

There is no dilution of shares due to options issued as the potential ordinary shares are anti-dilutive in accordance with AASB 133 *Earnings per Share* and are therefore not included in the calculation of diluted loss per share.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

5. Cash and cash equivalents

	Consolidated 2015 $	Consolidated 2014 $
Cash at bank	**412,247**	1,700,345
Cash and cash equivalents in the statement of cash flows	**412,247**	1,700,345

Interest Rates

The Group is exposed to changes in interest rates as referred to in Note 12.

6. Trade and other receivables

Current	**Consolidated 2015 $**	Consolidated 2014 $
Trade Debtors	**122,444**	197,089
GST receivable	**8,614**	12,523
Total	**131,058**	209,612

GST receivable was incurred in the normal course of business and no allowance has been made for non-recovery.

Past due but not impaired

As of 30 June 2015, trade receivables amounted to $122,444 (2014: $197,089). These relate to a number of independent customers for whom there is no recent history of default.

Normal trading terms are 60 days. At the reporting date, no amounts exceeded the credit terms (2014: Nil). The Group does not hold any collateral in relation to these receivables.

7. Trade and other payables

	Consolidated 2015 $	Consolidated 2014 $
Trade creditors	**31,233**	88,084
Accruals	**50,309**	45,258
Total	**81,542**	133,342

Trade creditors are non-interest bearing and are normally settled on 60 day terms.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

8. Contributed equity

Reconciliation of movement in issued capital attributable to equity holders of the parent.

Ordinary shares fully paid

	2015 Number of shares	**2015 Issue Price $**	**2015 $**	2014 Number of shares	2014 Issue Price $	2014 $
Opening balance	**420,889,156**	**-**	**30,245,525**	420,889,156	**-**	30,245,525
Movements	**-**	**-**	**-**	-	**-**	-
Closing balance	**420,889,156**	**-**	**30,245,525**	420,889,156	**-**	30,245,525

All shares have the right to receive dividends as declared and, in the event of a winding up of the Group, to participate in the proceeds of the sale of all surplus assets in proportion to the number of and amounts paid up on the shares held. Ordinary shares entitle the holder to one vote, either in person or by proxy, at a meeting of the Group.

Details of the Consolidated Entities exposure to risks arising from Capital Risk Management are set out in Note 12(f).

Unlisted Options

	2015 Number of options	**2015 $**	2014 Number of options	2014 $
Opening balance (1 July) (1)	**22,500,000**	**34,843**	18,500,000	30,843
New Issue (2)			4,000,000	4,000
Closing balance (30 June)	**22,500,000**	**34,843**	22,500,000	34,843

(1) On 5 December 2012, Burleson issued 18,500,000 unlisted options over ordinary shares. Of this amount, 12,500,000 options were issued to directors of the Company (2,500,000 options to each of the five individuals who were directors of the Company as at the issue date). The issue of options to directors was approved by shareholders of the Company at the Annual General Meeting ("AGM") held on 27 November 2012. A further 6,000,000 unlisted options were issued to consultants who are considered key members of the team. The options were issued to directors and consultants for services provided by those individuals to the Company. The options have an exercise price of $0.08 per share and expire on 5 December 2015. In the event that all options are exercised, Burleson would raise total options proceeds of $1,480,000. At the time of preparing for the 2012 AGM, the closing price of the Company's shares was 2.9 cents. Using the Black Scholes valuation methodology (and assuming 2.57% interest rate and 43.2% volatility), the value of the options was determined to be approximately 0.1667 cents per option. At this valuation, the total cost of the options issued is $30,843.

(2) On 25 November 2013, Burleson agreed to issue 4,000,000 unlisted options over ordinary shares to Mr Andrew Bald as part of his remuneration package. These options, which were announced at the time of Mr Bald's appointment, have an exercise price of $0.03 per share and expire on 1 December 2016 and are not subject to any vesting periods. In the event that all options are exercised, Burleson would raise total options proceeds of $120,000. Based on the company's current issued capital of 420,889,133 the dilution effect of the exercise of these options would be 0.95%. The closing price of Burleson shares on the date that the Company agreed to issue the options to Mr Bald was 1.2 cents. Using the Black Scholes valuation methodology (and assuming a 3.0% pa risk free rate and 45% volatility), the value of the options was determined to be 0.1 cent per option. At this valuation, the total cost of the options issued was $4,000.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

8. Contributed equity *(Continued)*

Listed Options

	2015 Number of options	**2015 $**	2014 Number of options	2014 $
Opening balance	**-**	**-**	138,790,178	2,021,462
Options Lapsed	**-**	**-**	(138,790,178)	(20,21,462)
Options Issued	**-**	**-**	-	-
Closing balance	**-**	**-**	-	-

Each Listed Option entitled the holder to subscribe for one ordinary share at an issue price of $0.10 on or before 30 September 2013. These Options expired unexercised on 30 September 2013.

9. Reserves

Share Based Payment Reserve	**Consolidated 2015 $**	Consolidated 2014 $
Opening Balance	**34,843**	2,062,430
Valuation of options issued (1)	**-**	4,000
Valuation of options lapsed (2)	**-**	(2,031,587)
Closing Balance	**34,843**	34,843

This reserve represents the fair value of options issued.

General Reserve	**Consolidated 2015 $**	Consolidated 2014 $
Opening Balance	**2,248,087**	216,500
Valuation of options lapsed (2)	**-**	2,031,587
Closing Balance	**2,248,087**	2,248,087

This reserve represents the value of net equity paid for options that have subsequently lapsed.

Foreign Exchange Reserve	**Consolidated 2015 $**	Consolidated 2014 $
Opening Balance	**999,095**	960,061
Foreign exchange gain	**177,357**	39,034
Closing Balance	**1,176,452**	999,095
Total Reserves	**3,459,382**	3,282,025

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

9. Reserves (*Continued)*

Note (i)

On 5 December 2012, Burleson issued 18,500,000 unlisted options over ordinary shares. Using the Black-Scholes option valuation model, inputs to the model include the following:

	Director and Consultant Options Nov 2012
Number	18,500,000
Company's shares on the ASX	2.9 cents
Strike Price	8.0 cents
Risk free rate	2.57%
Volatility	43.2%
Expected dividend yield	0%
Valuation	$30,843

The options have been granted over unissued ordinary shares. Options are fully vested upon issue. No money was exchanged for these options.

On 25 November 2013, Burleson agreed to issue 4,000,000 unlisted options over ordinary shares. Using the Black-Scholes option valuation model, inputs to the model include the following:

	Chief Executive Officer Options Nov 2013
Number	4,000,000
Company's shares on the ASX	1.2 cents
Strike Price	3.0 cents
Risk free rate	3.0%
Volatility	45.0%
Expected dividend yield	0%
Valuation	$4,000

The options have been granted over unissued ordinary shares. Options are fully vested upon issue. No money was exchanged for these options.

Note (ii)

The Company's listed options expired on 30 September 2013. Using the Black-Scholes option valuation model, inputs to the model include the following:

	Underwriter Options Nov 2010	**Attaching Options Nov 2010**	**Underwriter Options April 2011**	**Attaching Options April 2011**
Number	34,320,859	34,320,859	35,074,094	35,074,366
Company's shares on the ASX	6 cents	6 cents	6 cents	6 cents
Strike Price	10 cents	10 cents	10 cents	10 cents
Risk free rate	6%	6%	4.9%	4.9%
Volatility	83.8%	83.8%	101.71%	101.71%
Expected dividend yield	0%	0%	0%	0%
Valuation	$979,233	$0	$1,042,229	$0

The options have been granted over unissued ordinary shares. Options are fully vested upon issue. No money was exchanged for these options.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

10. Related party information

(a) Parent entity

The parent entity within the Group is Burleson Energy Ltd. Burleson Energy Ltd is a publicly listed company and there is no ultimate parent entity.

(b) Ownership interests in related parties

Interest held in Controlled Entities is set out in Note 14 to the financial statements.

(c) Transactions with related parties

All transactions with related parties are made on normal commercial terms and conditions.

The Group entered into a participation agreement for the acquisition of in various oil and gas leases in Colorado County, Texas USA. The participation agreement was entered into with a related party AKG Energy L.P. Dr A Kugler Jr., a director of the Group is also a principal of AKG Energy L.P.

During the year the following payments were made to directors or their associated entities: Management fees of $338,471 (2014: $457,792) was paid to AKG Energy L.P., a company associated with Dr A Kugler Jr., a director of the Group.

AKG Energy L.P. act as Joint operation Operator and are paid a management fee to administer the Company's operations in the US. The balance owed to AKG Energy L.P. at 30 June 2015 was zero (2014: Nil).

11. Share based payments

On 25 November 2013, Burleson agreed to issue 4,000,000 unlisted options over ordinary shares to Mr Andrew Bald as part of his remuneration package. These options, which were announced at the time of Mr Bald's appointment, have an exercise price of $0.03 per share and expire on 1 December 2016.

Using the Black-Scholes option valuation model, inputs to the model include:

	Chief Executive Officer Options Nov 2013
Number	4,000,000
Company's shares on the ASX	1.2 cents
Strike Price	3.0 cents
Risk free rate	3.0%
Volatility	45.0%
Expected dividend yield	0%
Valuation	$4,000

No proportion of this remuneration is linked to performance. The options were issued as an incentive for Mr Bald to join the Company as its Chief Executive Officer. The options have been granted over unissued ordinary shares. Options are fully vested upon issue. No money was exchanged for these options.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

11. Share based payments *(continued)*

On 5 December 2012, Burleson issued 18,500,000 unlisted options over ordinary shares. These options expire on 5 December 2015. Of the total amount issued, 12,500,000 options were issued to directors of the Company (2,500,000 options to each of the five individuals who were directors of the Company as at the issue date). The issue of options to directors was approved by shareholders of the Company at the Annual General Meeting ("AGM") held on 27 November 2012. A further 6,000,000 unlisted options were issued to consultants who are considered key members of the team. The options were issued to directors and consultants for services provided by those individuals to the Company.

Using the Black-Scholes option valuation model, inputs to the model include:

	Director and Consultant Options Nov 2012
Number	18,500,000
Company's shares on the ASX	2.9 cents
Strike Price	8.0 cents
Risk free rate	2.57%
Volatility	43.2%
Expected dividend yield	0%
Valuation	$30,843

No proportion of this remuneration is linked to performance. The options were issued as a remuneration and incentive for the ongoing commitment to the company by the individuals involved. The options have been granted over unissued ordinary shares. Options are fully vested upon issue. No money was exchanged for these options

12. Financial Instruments

(a) Financial Risk Management

Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

The Group's exploration & development activities are predominantly funded by equity and do not expose the Group to significant financial risks. There are no speculative or financial derivative instruments. Funds are invested for various short term periods to match forecast cash flow requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

12. Financial Instruments *(continued)*

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group has adopted a policy of only dealing with creditworthy customers and counterparties.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations will be performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

Credit risk in relation to trade receivables is controlled through the entering of letter of credit terms for all gas and condensate receipts whilst the credit worthiness of gas customers is checked prior to entering gas contracts.

The Group may at times have a high credit risk exposure to a single customer in relation to gas and condensate sales. The above-mentioned credit risk management procedures are followed in these instances. There is no such concentration of debtors as at 30 June 2015 (2014: Nil).

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Trade receivables

As the Group operates in the oil and gas sector, and has trade receivables, it is therefore exposed to credit risk in relation to those trade receivables.

The Group does not expect any counterparty to fail to meet its obligations.

Presently, the Group undertakes exploration and evaluation activities exclusively in United States. At the end of the reporting period there were no significant concentrations of credit risk.

Exposure to credit risk

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

	Consolidated 2015 $	Consolidated 2014 $
AUD		
Cash and cash equivalents	**412,247**	1,700,345
Trade receivables Excluding GST receivable)	**122,444**	197,089

As at 30 June 2015, AUD $100,624 (2014: AUD $634,860) is held with Bank of America in the US and $311,623 (2014: $1,065,485) is held on deposit in Australia with ANZ Banking Corporation.

Impairment losses

There were no impairment losses for the year.

The allowance accounts in respect of other receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point the amount is considered irrecoverable and is written off against the financial asset directly. As at 30 June 2015 the Group does not have any collective impairment on its other receivables (2014: nil).

12. Financial Instruments *(continued)*

(c) 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.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

The Group may need to raise additional capital in the next 12 months to finance operational activities. The decision on how the Company will raise future capital (for example, project debt, farm-out transactions, asset sales, equity capital raisings, etc.) will depend on market conditions existing at that time.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who built an appropriate framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

Consolidated 30 June 2015

	Carrying amount $	Contractual cash flows $	6 mths or less $	6-12 mths $	1-2 years $	2-5 Years $	More than 5 years $
Trade and other payables	**81,542**	**81,542**	**81,542**	-	-	-	-
	81,542	**81,542**	**81,542**	**-**	**-**	**-**	**-**

Consolidated 30 June 2014

	Carrying amount $	Contractual cash flows $	6 mths or less $	6-12 mths $	1-2 years $	2-5 Years $	More than 5 years $
Trade and other payables	133,342	133,342	133,342	-	-	-	-
	133,342	133,342	133,342	**-**	**-**	**-**	**-**

(d) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

12. Financial Instruments *(continued)*

Gas & Condensate price risk management

The Group's gas and condensate production is sold on spot markets and hence has exposure to gas and condensate price fluctuations. In the year ended 30 June 2015 no forward gas and condensate price contracts were entered into (2014: Nil).

The Group's operations expose it primarily to the financial risks of changes in crude oil prices and foreign currency exchange rates. The Group does not enter into derivative financial instruments to manage its exposure to gas or condensate price and foreign currency risk.

Oil and natural gas price sensitivity

The following table details the Group's sensitivity to a 10% increase and decrease in the price of oil and natural gas, being the primary commodities produced by the Group. This 10% is the sensitivity rate used when reporting oil price risk internally and represents management's assessment of the possible change in oil and natural gas prices. The sensitivity analysis includes current year sales levels varied by a 10% movement in oil and natural gas price. A positive number indicates an increase in profit or loss where the oil and natural gas prices increase.

	Consolidated 2015 $	Consolidated 2014 $
Profit or Loss	**94,472**	153,324

(d)(i) Currency risk

The Group is exposed to currency risk on investments, sales and purchases that are denominated in a currency other than the respective functional currencies of entities in the group, primarily the United States dollar (USD). The currencies in which transactions are entered into are primarily denominated in AUD and USD.

The Group has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency.

The Company's controlled entities operates in the United States and are exposed to foreign exchange risk arising from currency exposure to the Australian dollar as the controlled entities' functional currency is the US dollar. Exposure is limited to maintaining sufficient funds to meet expenditure commitments. Management does not actively manage foreign exchange risk.

None of the foreign denominated balances are accounted for as hedges in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* therefore all foreign exchange movements would be recognised within the current year profit or loss and within retained earnings.

Exposure to currency risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the Australian dollar (USD being the functional currency of controlled entities).

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. If financial derivatives were to be entered into, these would be governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

12. Financial Instruments *(continued)*

The Group's exposure to foreign Currency Risk at end of the reporting period was as follows, based on notional amounts;

	Consolidated	Consolidated
AUD	**2015**	2014
	$	$
	AUD	AUD
Cash and cash equivalents	**100,624**	634,860
Trade and other receivables	**122,444**	197,089
Trade payables	**(31,542)**	(88,084)
Borrowings	**-**	-
Gross Statement of Financial Position exposure	**191,526**	**743,865**

Exposure to credit, interest rate and foreign currency risks arises in the normal course of the Group's businesses.

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June 2015 would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

	Consolidated Equity	**Consolidated Profit or loss**
30 June 2015	**$**	**$**
AUD	**19,153**	**19,153**
30 June 2014		
AUD	74,386	74,386

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(d)(ii) Interest rate risk

The Group is exposed to interest rate risk.

Profile

The Group has exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and the financial liabilities.

The Group policy is to ensure that the best interest rate is received for the short-term deposits. The Group uses a number of banking institutions, with a mixture of fixed and variable interest rates. Interest rates are reviewed prior to deposits maturing and re-invested at the best rate.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

12. Financial Instruments *(continued)*

Interest rate risk management

The Group is subject to interest rate risk exposure through its cash and cash equivalents.

Interest rate sensitivity

The sensitivity analyses below have been determined based on exposure to interest rates at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

For the year to 30 June 2015, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net profit after tax would increase / decrease by $3,443 (June 2014: $8,502).

Effective interest rates and re-pricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the end of the reporting period and the periods in which they re-price.

	Effective interest rate	**Total $**	**Non interest bearing $**	**< 6 months $**	Effective interest rate	Total $	Non interest bearing $	< 6 months $
	2015	**2015**	**2015**	**2015**	2014	2014	2014	2014
Cash and cash equivalents	**3.2%**	**311,623**	**-**	**311,623**	**3.0%**	1,065,485	-	1,065,485
Trade and other payables	**-**	**(81,542)**	**(81,542)**	**-**	-	(133,342)	(133,342)	-
US$ Account	**0%**	**100,624**	**100,624**	**-**	0%	634,860	634,860	-
Trade and other receivables	**-**	**122,444**	**122,444**	**-**	-	197,089	197,089	-
Borrowings		**-**	**-**	**-**		-	-	-

12. Financial Instruments *(continued)*

(e) Fair values

Fair values versus carrying amounts

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The basis for determining fair values is also disclosed in Note 1. The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Consolidated 2015		Consolidated 2014	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Cash and cash equivalents	**412,247**	**412,247**	1,700,345	1,700,345
Receivables	**122,444**	**122,444**	197,089	197,089
Trade and other payables	**(81,542)**	**(81,542)**	(133,342)	(133,342)
	453,149	**453,149**	1,764,092	1,764,092

(f) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity.

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

There were no changes in the Group's approach to capital management during the year. Neither the Parent Entity nor any of its Controlled Entities are subject to externally imposed capital requirements.

The capital structure of the Company and Group consists of equity attributable to equity holders, comprising issued capital, reserves and accumulated losses as disclosed in the statement of changes in equity.

The Group's Board reviews the capital structure on an annual basis. As a part of this review the Board considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the new share issues and share buy-backs as well as the issue of debt.

The Group's overall capital management strategy remains unchanged from June 2014.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

12. Financial Instruments *(continued)*

The Group as and when required borrows from Controlled Entities.

	Consolidated	Consolidated
	2015	2014
Equity attributable to shareholders of the Company	**$30,245,525**	$30,245,525
Total assets	**641,208**	$1,909,957
Equity ratio in %	**2.1%**	6.3%
Average Equity	**$1,168,140**	$2,290,589
Net Profit/(Loss)	**($1,492,209)**	($1,070,983)
Return on Equity (%)	**(128%)**	(46%)

13. Capital and other commitments

There are no capital expenditure or other commitments as at 30 June 2015 (2014: nil).

14. Controlled Entities

	Country of Incorporation	**Ownership interest**	Ownership interest
		2015	2014
Parent entity			
Burleson Energy Limited	AUS		
Subsidiaries			
Burleson Energy Holding Inc	USA	**100%**	100%
Burleson Energy Inc	USA	**100%**	100%
Burleson Energy General LLC	USA	**100%**	100%
Burleson Energy Limited LLC	USA	**100%**	100%
Burleson Energy Limited Partnership	USA	**100%**	100%

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

15. Reconciliation of cash flows from operating activities

Cash flows from operating activities	**Consolidated 2015 $**	Consolidated 2014 $
Profit/(loss) for the year	**(1,492,209)**	**(1,070,983)**
Adjustments for:		
Exchange differences	**(358)**	**73,845**
Share based payments	**-**	**4,000**
Changes in assets and liabilities		
Decrease / (Increase) in trade and other receivables	**78,553**	**81,662**
(Decrease) / Increase in trade and other payables	**(51,799)**	**22,581**
Net cash outflow from operating activities	**(1,465,813)**	**(888,895)**

16. Remuneration of Auditors

	Consolidated 2015 $	Consolidated 2014 $
Amounts paid or due and payable to Auditors for:		
(a) an audit or review of the financial statements of the entity and any other entity in the consolidated group	**34,000**	34,000

17. Key Management Personnel Disclosures

(a) Key management personnel compensation

	Consolidated 2015 $	Consolidated 2014 $
Short Term Employee Benefits	**341,000**	384,000
Post Employment Benefits	**-**	-
Long-term benefits	**-**	-
Share based payments	**-**	4,000
Total	**341,000**	**388,000**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

17. Key Management Personnel Disclosures (*Continued*)

(b) Equity instrument disclosure relating to key management personnel

Ordinary Shares issued by Burleson Energy Limited – Directors

Name	2015 Balance at the start of the year No.	2015 Acquired during the year No.	2015 Net other changes No.	2015 Balance at the end of the year No.
M. Sandy	7,385,188	-	-	7,385,188
A Sundich	13,000,000	-		13,000,000
A Kugler	4,523,333	-	-	4,523,333
TOTAL	**24,908,521**	**-**	**-**	**24,908,521**

Name	2014 Balance at the start of the year No.	2014 Acquired during the year No.	2014 Net other changes No.	2014 Balance at the end of the year No.
N Zillman[1]	21,516,909	-	-	21,516,909
M. Sandy	7,385,188	-	-	7,385,188
A Sundich [1]	10,000,000	3,000,000		13,000,000
A Kugler[1]	4,523,333	-	-	4,523,333
TOTAL	**43,425,430**	**3,000,000**	**-**	**46,425,430**

(1) N Zillman resigned as a director on 8 October 2013. A Sundich re-appointed as a director on 8 October 2013. A Kugler resigned as a director on 6 February 2013.

Options issued by Burleson Energy Limited

Name	2015 Balance at the start of the year No.	2015 Acquired during the year No. [1]	2015 Lapsed No.	2015 Net other changes No.	2015 Balance at the end of the year No.
Directors					
M. Sandy	2,500,000	-	-	-	2,500,000
A Sundich	2,500,000	-	-	-	2,500,000
A Kugler	2,500,000	-	-	-	2,500,000
A Bald	4,000,000	-	-	-	4,000,000
TOTAL	**11,500,000**	**-**	**-**	**-**	**11,500,000**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

17. Key Management Personnel Disclosures *(continued)*

(b) Equity instrument disclosure relating to key management personnel *(continued)*

Options issued by Burleson Energy Limited

Name	2014 Balance at the start of the year No.	2014 Acquired during the year No. (1)	2014 Lapsed No.	2014 Net other changes No.	2014 Balance at the end of the year No.
Directors					
N Zillman (1)	8,162,250	-	-	5,662,250	2,500,000
M. Sandy	3,276,546	-	-	776,546	2,500,000
A Sundich	2,500,000	-	-	-	2,500,000
A Kugler	2,620,000	-	-	120,000	2,500,000
A Bald	-	4,000,000	-	-	4,000,000
TOTAL	**16,558,796**	**4,000,000**	**-**	**6,558,796**	**14,000,000**

(1) Resigned as a director on 8 October 2013.
(2) Appointed Chief Executive Officer on 1 December 2013.

All options are fully vested on issue and convert to ordinary fully paid shares

(c) Loans to key management personnel

There are no loans made to any key management personnel or any other personnel of the Group, including their personally related parties.

(d) Other transactions with key management personnel

Project management fees of $338,471 (2014: $457,792) have been paid to AKG Energy L.P. which is a personally related entity to Dr A Kugler Jr., a director of the Group. There were no other transactions, other than those disclosed in note 10 – Related party information, made with any key management personnel or any other personnel of the Group, including their personally related parties.

18. Events subsequent to reporting date

On 16 September 2015, Burleson announced a capital raising which secures $1.26 million of additional funding for the Company. The capital raising consists of a Share Placement to raise $210,444 and a Rights Issue to raise $1.05 million.

The Placement was made to institutional and sophisticated investors and was completed on 16 September 2015. A total of 105,222,285 shares were issued under the Placement, representing 25% of the Company's issued capital. The issue price of the Placement Shares is 0.2cents per share which equals the last closing price on Thursday, 10th September 2015. The new Placement shares will be issued under ASX Listing Rules 7.1 and 7.1A and will rank equally with the existing shares, including in relation to the upcoming Rights Issue. The proceeds of the Placement will be to provide the Group with additional working capital.

Burleson is also undertaking a 1:1 pro rata renounceable Rights Issue of approximately 526,111,441 fully paid ordinary shares to raise approximately $1,052,222. The issue price of the new shares under the Rights Issue is $0.002 each. The Company lodged a prospectus for the Offer (Prospectus) with ASIC and the ASX on 18 September 2015. A copy of the Prospectus is available on ASX's and Burleson's website.

The Offer under the Rights Issue is being made to all shareholders of the Company who are named on its share register on 25 September 2015, whose registered address is in Australia or New Zealand. The new shares issued under the Rights Issue will rank equally with all fully paid ordinary shares of the Company already on issue. Following completion of the Rights Issue, the Company will have issued approximately 526,111,441 New Shares resulting in total Shares on issue of approximately 1,052,222,882.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

18. Events subsequent to reporting date (continued)

The Rights Issue is fully underwritten and lead managed by Patersons Securities Limited.

Except for the matters noted above, there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future periods.

19. Segment reporting

The Group has adopted AASB 8 *Operating Segments* from 1 July 2009 whereby segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the executive management team that makes strategic decisions. The executive management team comprises of the executive and non-executive members of the board. The executive management team has determined that there are no operating segments because no discrete information is provided to them and no segment information has therefore been disclosed. The executive management team only receive consolidated financial information for the Group.

During the year, oil/condensate revenues of $292,556 (2014: $606,375) and gas revenues of $648,556 (2014: $921,789) were derived from certain customers which comprise more than 10% of the group's revenues. All revenue is derived within the United States. All revenue from customers is in the same proportionate share as the joint operation agreements in place.

20. Parent Entity Information

The following details information related to the parent entity, Burleson Energy Limited, at 30 June 2015. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2015	2014
	$	$
Current assets	**320,237**	1,078,007
Non-current assets	**14,127,050**	13,938,028
Total assets	**14,447,287**	15,016,035
Current liabilities	**50,309**	45,258
Non-current liabilities	**-**	-
Total Liabilities	**50,309**	45,258
Net Assets	**14,396,978**	14,970,777
Contributed equity	**30,245,525**	30,245,525
Accumulated Losses	**(18,131,477)**	(17,557,678)
Share bases payment reserve	**34,843**	34,843
General reserve	**2,248,087**	2,248,087
Total equity	**14,396,978**	14,970,777
Loss for the year	**(573,799)**	(638,616)
Other Comprehensive Loss for the year	**-**	-
Total Comprehensive Loss for the year	**(573,799)**	(638,616)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

21. Interest in joint arrangements

The Group had the following interests in joint arrangements:

Name of Joint Operation	2015 Working Interest	2015 Net Revenue Interest	2014 Working Interest	2014 Net Revenue Interest
Brasher 1	38.0%	29.7%	38.0%	29.7%
Heintschel #1	38.0%	29.6%	38.0%	29.6%
Heintschel #2	38.0%	29.6%	38.0%	29.6%
D Truchard #1	38.0%	29.7%	38.0%	29.7%
D Truchard #2H	50.0%	38.8%	50.0%	38.8%
D Truchard #3	50.0%	38.8%	NA	NA
Joann #1	39.4%	30.8%	39.4%	30.8%

The proportionate interests in the assets, liabilities, revenues and expenses of the above joint operations have been incorporated in the financial statements under the appropriate headings, in accordance with the Group's accounting policy - refer to notes 1(a) and 1(s).

Directors' Declaration

The directors of Burleson Energy Limited declare that:

1. The financial statements, comprising the Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flow, Consolidated Statement of Changes In Equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and

   (b) give a true and fair view of the financial position as at 30 June 2015 and of the performance for the year ended on that date of the Group.

2. The Group has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. In the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

4. The remuneration disclosures included on pages 12 to 15 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2015, comply with section 300A of the *Corporations Act 2001*.

5. The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Michael Sandy
Executive Chairman

Dated 30 September 2015

INDEPENDENT AUDITOR'S REPORT

To the members of Burleson Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Burleson Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Burleson Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Burleson Energy Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 15 of the directors' report for the year ended 30 June 2015. 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 responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Burleson Energy Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

Rothsay Chartered Accountants

Frank Vrachas

Partner

Sydney, 30 September 2015

BURLESON ENERGY LIMITED
and Controlled Entities ACN: 117 770 475
30 June 2015

Additional ASX and Shareholder Information

Additional information is required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is current as at 22 September 2015.

Quoted and unquoted equity securities

Equity Security	Quoted	Unquoted
Shares	420,889,156	-
Options	-	22,500,000

Substantial shareholders

There were no substantial shareholders at the date of this report.

Unmarketable parcels

There are 874 holders of shares holding less than a marketable parcel.

Distribution of holders of quoted ordinary shares (number of holders)

Range	Holders	Units	Percentage (%)
1-1,000	75	3,327	0.001
1,001-5,000	46	160,416	0.038
5,001-10,000	109	987,273	0.235
10,001-100,000	477	22,090,673	5.248
> 100,000	454	397,647,467	94.478
Total	**1,161**	**420,889,156**	**100.000**

Twenty largest holders of quoted ordinary shares

Rank	Name	Units	% of Units
1	MR NORMAN ZILLMAN & MRS LORRAINE ZILLMAN <BANNERBLOCK P/L SUPER A/C>	19,580,967	4.652
2	PINE STREET PTY LTD <PINE STREET A/C>	13,000,000	3.089
3	MR ROBERT KEITH BLANDEN & MS JOAN SYBIL BLANDEN <RK & JS BLANDEN S/F A/C>	12,868,000	3.057
4	HERA INVESTMENTS PTY LTD	8,090,000	1.922
5	CRESTA VISTA PTY LTD <SANDYBURNS SUPER FUND A/C>	7,385,188	1.755
6	HARRISON JEDEL <UTD JULY 19 1985 A/C>	6,773,334	1.609
7	MR STEPHEN CHARLES PICKLES	6,646,760	1.579
8	MR ALLAN DOUGLAS CHRISTIE	6,000,000	1.426
9	CLARION PROJECTS PTY LTD <BURLEY FAMILY A/C>	6,000,000	1.426
10	D H TEAGUS INVESTMENTS PTY LTD <MYERSCOUGH SUPER FUND A/C>	5,105,556	1.213
11	MR NICHOLAS PASQUALE COSTA	4,777,568	1.135
12	MR ANDREW KUGLER (JR) & MRS ANN VALERIE KUGLER	4,443,333	1.056
13	KHIB ANDREW KUGLER	4,443,333	1.056
14	GREIGH PHILLIP KUGLER	4,293,333	1.020
15	MR ANGELO MARCO AMATO	4,250,000	1.010
16	KARRAS JOHN KUGLER	4,143,333	0.984
17	MR STEFANO AMATO & MRS DENISE MARGARET AMATO <AMATO SUPER A/C>	4,000,000	0.950
18	MR MICHAEL MANDZIJ	4,000,000	0.950
19	MR CRAIG STEPHEN MARSHALL	3,600,000	0.855
20	MR JAMES JOHN MYERSCOUGH	3,567,293	0.848
	Totals: Top 20 holders of BUR ORDINARY FULLY PAID	**132,967,998**	**31.59**
	Total Remaining Holders Balance	**287,921,158**	**68.41**
	Total Holders Balance	**420,889,156**	**100.00**

Additional ASX and Shareholder Information *(continued)*

Voting rights

Ordinary shares carry one vote per share. There are no voting rights attached to the options or convertible notes in the Company.

Business objectives

The Company confirms that it has used the cash and assets that it had at the time of its admission to the ASX consistent in accordance with its business objectives.

Stock Exchange

The Company is listed in the Australian Stock Exchange. The "Home Exchange" is Perth.

Other information

Burleson Energy Limited, is incorporated and domiciled in Australia, and is a publicly listed company limited by shares.

On-market buy-back

There is no current on-market buy-back.