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ASX ANNOUNCEMENT (ASX: BRU)

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OPERATIONS UPDATE ASGARD-1, UNGANI EPT AND FORWARD PROGRAM

Buru Energy Limited provides the following update on the results of the Asgard-1 well, the Company's forward drilling and seismic program, and the continuing operations at the Ungani EPT.

Highlights

- Asgard-1 confirms a 35km southeast extension of the Valhalla tight gas accumulation – likely to have a materially positive impact on the potential risked recoverable volumes of gas from the Valhalla tight gas accumulation
- Rig #32 to be mobilised from Asgard-1 to re-commence drilling Ungani North-1 – expected to commence in mid-October
- Ungani Field EPT performance continues to be extremely encouraging
- Ungani 3D seismic survey to commence shortly – to define size and extent of the Ungani Oilfield
- Negotiations currently underway to engage a large modern rig for the 2013 program and an appropriate rig to drill Cyrene-1 in 2012.

Drilling Program

Asgard-1

The Asgard-1 well has reached a revised total depth of 3,524 metres. The well has been deepened to the revised total depth as strong gas shows in discreet sand units were still being encountered close to the original prognosed total depth of 3,400 metres.

A full suite of logs will be run to evaluate the thick Laurel Formation section and the gas shows that have been encountered in this well. Final interpretation of the results of the well will require analysis of these logs. However, since the last drilling report, high levels of background gas and gas peaks have continued to be seen throughout the Laurel Formation. The Laurel Formation also appears to be similar geologically to that encountered in the Valhalla and Paradise wells. The changes in gas composition with depth have also shown the very distinctive wetness ratio patterns that have been encountered in the other wells.

Accordingly, there is very strong likelihood that a 35 km southeast extension of the Valhalla tight gas accumulation has been confirmed. This is likely to have a materially positive impact on the potential risked recoverable volumes of gas from the Valhalla tight gas accumulation.

Logging, casing and suspending the well is expected to take some 5 days, after which the rig will be released to Ungani North-1.

Ungani North-1

Following rig release from Asgard-1, Ensign Rig #32 will be moved to the suspended Ungani North-1 well, with drilling operations expected to re-commence at Ungani North-1 in mid-October.

The Ungani North-1 well is currently suspended after being drilled to a depth of 2,292 metres. The top of the Ungani reservoir is interpreted to be some 250 metres below this point. Once drilling recommences, the operations will consist of drilling out the cement plugs used to suspend the well, running back to the previous total depth and conditioning the mud system, and then drilling to close to the top of reservoir and setting 9⁵/₈" casing prior to drilling into the predicted reservoir. This sequence of events is as for the original well plan, and is designed to ensure that the shale above the predicted reservoir section that gave operational difficulties in both Ungani-1 and Ungani-2 is cased off prior to drilling through the reservoir. This operation and the intersection of the reservoir is currently expected to take some 9 days to complete after the drilling operation re-commences.

After the Ungani Dolomite reservoir has been penetrated, the well will then be deepened to a total depth of 3,500 metres to test the Nullara play where good oil and gas shows were encountered in the Ungani-1 well. This deeper total depth is possible because of the greater depth capacity of Ensign Rig #32 compared to Century Rig #7 used to drill the upper part of the hole.

Cyrene-1

The Cyrene-1 well is being drilled to test two primary targets:

- a well-developed conventional clastic limestone reservoir in which live oil shows were observed in the adjacent Hedonia-1 well; and
- a 135m section of the Goldwyer Shale, which is interpreted to be in the oil window at this location.

The conventional target in this well has the capacity to hold in the order of 5 million barrels of recoverable oil, if hydrocarbons are present. Importantly, the conventional play type being targeted in this well is interpreted as being extensive throughout the area based on seismic and historical wells data. Therefore a success at Cyrene-1 provides a strong likelihood that a regional conventional oil play may be able to be developed.

The unconventional target in this well is a 135 metre thick section of the Goldwyer Shale. This is the regionally extensive marine shale seen throughout the southern part of the Canning Superbasin, and is the play being specifically targeted by New Standard Energy and ConocoPhillips in their current drilling program. Buru interprets the Goldwyer Shale to be in the oil window in Cyrene-1 and will be undertaking an extensive coring program to provide a full suite of data for analysis and evaluation.

Negotiations are currently underway to drill the well using a smaller rig and these are expected to be completed shortly.

2013 Drilling Program

The Company is currently in discussions with rig contractors for the import of a high capacity modern rig that would be available for Buru's use at the beginning of the dry season next year. This rig could be used in conjunction with Ensign Rig #32 which is currently planned to continue the drilling program through the wet season. It is anticipated the discussions for the rig will be able to be concluded in sufficient time to ensure it is available for use in the 2013 dry season drilling program.

Seismic Program

The Terrex seismic crew has successfully completed the Yakka Munga 2D survey over the very prospective Yakka Munga area, and is currently acquiring the Asgard 2D survey which is expected to

be completed in approximately two weeks. The Asgard survey is designed to provide further regional data over the Valhalla accumulation to allow siting of further wells on the most prospective parts of the accumulation.

In regard to the Ungani 3D survey, the concerns of the traditional owners about areas of cultural significance in proximity to the 3D grid have now been satisfactorily resolved, and line clearing for the survey is expected to start shortly.

The survey itself will commence once the Terrex crew has completed the Asgard survey (noting that there may be a short period of crew standby while line clearing operations are completed at Ungani), and it is expected to take some 6 weeks to acquire and 2 to 3 months to process.

This survey will be very important to help define the size and boundaries of the Ungani Oilfield and we are most appreciative of the co-operation shown by the traditional owners in resolving areas of concern.

Ungani Field EPT

Production from the Ungani Field over the last four weeks has been from the Ungani-2 well at steady rates, with the Ungani-1 well shut in. The Ungani-2 well has now cleaned up and is now consistently producing clean oil with the occasional small slug of remaining drilling fluid. Well head pressures have been steady and the well performance is very encouraging.

The well has now been shut in to allow pressure buildup readings to be taken. The downhole pressure information obtained through the flowing and shut in periods is important to understand the size of the connected volume to the wells. The Ungani-1 well will be put back on stream after the shut in is completed to clean up that well, as it was still producing significant quantities of drilling fluid when it was previously shut in. Confirmation of well clean-up will result in the official commencement of the Extended Production Test (“EPT”) period.

In preparation for the shut in of the Ungani-2 well it has been produced at some 800 barrels a day, and the additional production has been transferred to Buru’s storage tanks at Erskine. This will allow sales of oil to continue from storage at 400 barrels per day while the wells are shut in.

Commenting on the forward program, Buru’s Executive Director, Eric Streitberg, said:

“This is a very exciting time for the Company.

The Asgard well has fulfilled our expectations that we have the potential for a major wet gas accumulation in the Laurel Formation at Valhalla, and the Ungani Field continues to outperform our expectations. The latest production data from the field is extremely encouraging, both in terms of the potential to reach the upside reserves case and also in terms of the production rates we will be able to achieve from the Field in full development. It also highlights the very high quality nature of the Ungani reservoir and confirms our excitement over drilling additional exploration wells on the Ungani trend, starting with the recommencement of Ungani North in a few weeks’ time.

The commencement of the 3D seismic is also a major step forward for us as it is a very important part of the reserves certification process, which forms a critical part of the development of the Field.”

Further information on the Company is available at: www.buruenergy.com

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