



**Buru Energy Limited**

**Date of Lodgement: 11/12/12**

**Title: “Company Insight – Update on Ungani North Operations and Appointment of new Managing Director”**

**Highlights of Interview**

- Comments on the results to date from Ungani North 1.
- Extension to Alcoa gas agreement & the implications on recently signed State Agreement.
- Explains the background in appointing new Managing Director.
- Implications for Eric Streitberg’s ongoing involvement in the Company.
- Details the practicalities of the new arrangement.
- Whether Buru will appoint more Non-executive Directors.
- Whether the management team will continue to grow.

**Record of interview:**

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Can we first discuss the current drilling operations. It appears that drilling results from Ungani North 1 are encouraging but not definitive at this point. Can you comment on results to date and the forward program?

**Executive Director, Eric Streitberg**

Ungani North 1 is the first well drilled to follow up the Ungani oil discovery. It has been a very interesting well in the upper section, with a thicker sealing shale over the dolomite than we saw at Ungani, and what we interpret to be about a 40m oil column at the top of a much thicker dolomite reservoir section than we saw in Ungani.

The only real difference appears to be that the reservoir in Ungani North 1 does not have as well developed vugular porosity as the reservoir in Ungani, meaning that the well flow rates are likely to be lower than in Ungani. But just like Ungani, we really don’t know until we test it what the rate is likely to be. Even if it’s a low oil rate it will still be commercial as it is close to the Ungani infrastructure so would be easy and cheap to develop.

How and when we test Ungani North 1 is currently under review, and it may take a little while to implement, as if we want to test the deeper gas shows and the oil potential we saw in the deeper Nullara section that will mean a more complicated process than we used for Ungani, and that will take some time to get organised.

What's really exciting about Ungani North1 as far as the conventional oil potential goes is that it confirms that the geological features we saw in Ungani are not a one off. It means our technical understanding of the Ungani oil trend is sound and the very significant upside we see in this area has been substantially de-risked.

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You mentioned the deeper section in the well has also had some interesting oil and gas indications, what has been the outcome of that part of the well?

**Executive Director, Eric Streitberg**

The potential in the deeper section is also very exciting. We saw strong oil and gas shows in the Nullara Formation when we drilled the original Ungani discovery well, so we were keen to see what was in this well. We have encountered a thick section of limestones and shales with very strong gas shows. The geology is similar to what was seen in Ungani, but the section is thicker.

The really interesting thing about the well is that it appears that this section has not been encountered in the Basin before in this geological setting. The fact that the section appears to be gas saturated with strong indications of oil demonstrates that we are in a very robust petroleum system with lots of oil and gas being generated.

This is one of the great things about the Canning Basin – it is so lightly explored that a wildcat well can throw up a whole new set of plays.

On Ungani North itself, we have finished the logging program over the deeper Nullara section and confirmed there are several zones which have excellent gas shows in what is interpreted to be fractures and some vugular porosity. If those zones flow gas we could well have a conventional gas play in a structure that has considerable size to it. That would be a game changer for the gas development program just like Ungani was for the oil.

Our initial interpretation is also that the play type runs for at least 100 kilometres along the margin of the Basin so we have a very large area that we can test the potential in.

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Apart from what looks like some pretty positive drilling activity, you have just announced an extension of your gas sales agreement with Alcoa. What does this mean in terms of the commercialisation of your gas resources and does it have any implications for the State Agreement you recently announced?

**Executive Director, Eric Streitberg**

The extension of the gas sales agreement with Alcoa is a terrific outcome for us. It gives us the opportunity to prove up and develop our reserves in a time frame which is much more closely aligned to the time frames under the State Agreement. In a commercialisation sense, Alcoa are just about the best customer you can have in Western Australia. They provide off take flexibility with a blue chip balance sheet, ticking the operational and financing boxes respectively.

In the short term the two year extension pushes back the first repayment date for the \$40 million gas pre-payment for another three years, always remembering we have enough money in escrow for a large part of the repayment.

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Moving on to the operations of the Company, you have just announced the appointment of a Managing Director for Buru. Can you explain the background to this appointment?

**Executive Director, Eric Streitberg**

Buru has been transformed over the past 18 months from a pure explorer, to an S&P/ASX 200 listed oil producer with a potentially world class gas resource. We are confident that this very significant transformation is just the start of the Company's growth and we are well on the way to creating a major Australian oil and gas company.

To help us drive this growth we have significantly strengthened the senior management of the Company over the past 12 months, with a number of very senior appointments. We have also strengthened the Board with the appointment of two new non-executive directors, Mr Austin Miller and Dr Keiran Wulff, who each have brought a significant depth of highly relevant experience to the Company.

In Keiran's case it became apparent soon after he joined the Board that he had the passion, skills, experience and drive to contribute much more to the Company than a non-executive role would allow. As a Board we also quickly formed the view that having Keiran as Managing Director was a perfect complement to my skills and experience.

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What does Dr Wulff's appointment mean for your ongoing involvement with the Company?

**Executive Director, Eric Streitberg**

Keiran has a proven track record of overseeing major developments and significant company growth. He is also very experienced in managing the organisational change that accompanies this growth. This experience is exactly what is needed to drive the growth of Buru. My focus will continue to be very much on the strategic and technical aspects of managing our asset portfolio. I am passionate about the Canning Basin and its potential, and am looking forward to being able to focus back onto the geology.

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In practical terms, how will this work?

**Executive Director, Eric Streitberg**

Keiran will have day to day responsibility for running all aspects of the business, just as any other Managing Director would. Having said that, we do have a great senior management team in place already, so the Board will be looking to Keiran to specifically deliver on our plans for commercialisation, and to build the organisation that allows us to do this. This is exactly the role that he played at Oil Search as Chief Operating Officer, and his skills and experience are directly transferable and will be invaluable to Buru.

Apart from ensuring we are getting the best technical results we can, I will also be working closely with the Board and Keiran on some of the bigger picture strategic issues facing the Company. My long experience and deep networks in Western Australia will continue to provide guidance and support to Keiran and the Board, although this change may mean that I am likely to be a little less visible than I have been in the past.

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With Dr Wulff becoming an executive, will you be looking for additional non-executive directors?

**Executive Director, Eric Streitberg**

It took us almost a year to find our two new non-executive directors, so to have one become an executive so quickly has sent us back to the drawing board. Even with Keiran's appointment as Managing Director we still have a majority of independent directors, but we do think the appointment of another senior non-executive director will be appropriate in due course. Just like the most recent appointments, we are prepared to be patient to ensure that we secure the right person.

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In addition to Dr Wulff's appointment, you have announced a number of other senior executive appointments in the past twelve months. Is the appointment of Dr Wulff the last of these, or will Buru continue to grow?

**Executive Director, Eric Streitberg**

As I mentioned, one of the key issues that Keiran faces is making sure that Buru has sufficient high quality senior management in place to effectively deliver on our growth and commercialisation plans. Given the potential in the Company I think it is reasonable to expect that there will be ongoing growth in the organization over the next year.

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Thank you Eric.

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