

Quarter Ended 30 September 2012

Introduction

The directors of Buru are pleased to present this report for the quarter ended 30 September 2012. This quarter was another significant one for Buru with activities including the drilling of highly successful wells on both the Yulleroo and Valhalla gas accumulations, and the commencement of the 2012 seismic acquisition program. The Company also acquired interests in additional highly prospective acreage in the Company's core areas, funded by a placement to institutional investors.

The Company commenced drilling of the Ungani North 1 exploration well during the quarter to test an Ungani trend prospect. The well was suspended following a mechanical failure on MB Century Rig #7. Subsequent to the end of the quarter drilling operations have recommenced at Ungani North 1 using Ensign Rig #32.

The appraisal of the Ungani Field continued during the quarter with the clean-up phase of the extended production test continuing to provide encouraging results, with the pressure and production data gathered to date giving very good confidence that the existing wells are accessing a minimum of 8 million barrels of mobile oil. The next stage of the structured appraisal program commenced during the quarter with the commencement of the planned 3D seismic survey. The ongoing data from the extended production test and the results of the 3D seismic survey are important steps in quantifying the ultimate reserves of the Field.

The Company continued to restructure and strengthen its senior management team during the quarter, welcoming highly qualified and experienced professionals to the roles of Chief Financial Officer, Chief Commercial Officer and Chief Scientist, and also made two important internal promotions to the role of Chief Operating Officer and General Counsel.

The Board of Buru Energy Limited is also pleased to advise that Dr Keiran Wulff has agreed to join the Company's Board as a non-executive Director with effect from 19 October 2012. This follows a structured process commenced by the Board in March this year to appoint additional non-executive Directors with appropriate oil and gas experience.

Overview

The key operational activities for the quarter were:

- the completion of drilling operations at the Yulleroo 3 well by Ensign Rig #32;
- the continuation of drilling operations at the Asgard 1 well by Ensign Rig #32;
- the commencement and subsequent suspension of drilling operations at the Ungani North 1 well;
- continuation of the clean-up phase of the extended production test ("EPT") of the Ungani Field;
- the completion of the Yakka Munga and Asgard 2D seismic surveys;
- the commencement of on ground preparations for the Ungani 3D seismic survey;
- planning, in conjunction with Mitsubishi, for the full field development of the Ungani Field;
- planning, in conjunction with Mitsubishi, for the remainder of the 2012 and upcoming 2013 Appraisal and Exploration Program; and

- progressing the regulatory, Traditional Owner and joint venture approvals process for the remainder of the 2012 Appraisal and Exploration Program.

The key corporate activities for the quarter were:

- the acquisition of interests in exploration permits EP 457 and EP 458, and application area 5/07-8;
- the successful raising of \$40 million (before costs) by way of a placement to institutional investors to fund the above acquisitions, with funds received after quarter end;
- the continued strengthening of the Company's Senior Management team; and
- the signing of a heritage protection agreement with the Traditional Owners of the Noonkanbah area.

Financial

The ASX Appendix 5B attached to this report contains the Company's cash flow statement for the quarter. The material elements of the cash flow in the period were:

- exploration expenditure of \$13,032,711 for the quarter (June 2012: \$5,116,725), the majority of which are costs associated with drilling operations at the Yulleroo 3, Ungani North 1 and Asgard 1 wells, and the conduct of the Yakka Munga and Asgard 2D seismic surveys;
- an initial payment of \$13,600,000 for the acquisition of the company holding a 90% interest in EP 457 and EP 458, with the remaining \$22,400,000 being paid after quarter end;
- interest income of \$1,011,360 was received in the quarter on the maturation of a number of the Company's long term cash deposits;
- oil production from the Blina and Sundown oilfields produced a net cash operating surplus of \$42,602 for the quarter (June 2012: net cash operating outflow \$145,857). The Ungani EPT produced a net cash operating surplus of \$144,243, being initial cash receipts on crude sales since the commencement of production in the June quarter; and
- administration and other operating costs of \$2,656,202 (June 2012: \$2,184,692), the increase reflecting the growth in staff and organisational structure required for the development of the Ungani Field and the conduct of the planned 2013 Appraisal and Exploration Program.

The Company recorded a net cash outflow of \$23.9 million (before exchange rate adjustments) for the quarter (June 2012: net cash inflow \$40.6 million).

Cash payments of \$27,812,585 were received from Mitsubishi during the quarter in contribution towards Mitsubishi's share of the 2012 Appraisal and Exploration Program.

At the end of the quarter the Company had net cash reserves of \$37.8 million (June 2012: \$62.4 million).

Subsequent to the end of the quarter the Company raised \$38.5 million (net of costs) to fund the acquisition of EP 457 and EP 458 at a cost of \$36 million, however, at quarter end the Company had paid \$13.6 million as a deposit, leaving a balance of \$22.4 million to be paid to complete the acquisition. Due to the timing of the payment of the deposit of \$13.6 million within the quarter, but the capital raising completing after quarter end, cash reserves as at quarter end of \$37.8 million were increased by a net \$16.1 million after the end of the quarter to \$53.9 million.

The Company's cash reserves and the balance of Mitsubishi's commitment to fund \$40 million of the first \$50 million spent on unconventional exploration in 2012, provide the Company with sufficient financial resources to fund its current committed exploration activities.

The Company is forecasting the following cash flows in the December 2012 quarter:

- **Exploration** – \$11 million of exploration costs are expected to be payable in the December 2012 quarter being the ongoing costs of the 2012 Appraisal and Exploration Program.
- **Acquired exploration** – The payment of \$22.4 million as final consideration for the acquisition of a 90% interest in EP 457 and EP 458. This payment was made on 3 October 2012, and was offset by the proceeds of the institutional capital raising of \$40 million (before costs) on 4 October 2012.
- **Development** - \$0.5 million of development costs are expected to be payable in the December 2012 quarter for further development of the Ungani Field.
- **Production** – Costs of production of approximately \$2.2 million are expected to be payable in the December quarter in relation to the Blina and Sundown oilfields, and the ongoing operation of the EPT.
- **Administration** – \$2.5 million in administration costs are expected to be payable in the December 2012 quarter, consistent with this quarter.

Production and Development

Blina and Sundown Oil Fields

Oil sales from the Company's Blina and Sundown oilfields, in the L6 and L8 production licences, averaged approximately 33 bopd for the quarter (June 2012: approximately 24 bopd). Oil production generated cash receipts during the quarter of \$388,667 (June 2012: \$287,540). The fields produced a net cash operating surplus of \$42,602 for the quarter (June 2012: net cash operating outflow \$145,857). The Company continues to assess possible options to improve production levels from the fields.

Ungani Field Extended Production Test

Initial clean-up flows from the EPT at the Ungani Field continued during the quarter prior to the commencement of the EPT test production period.

The Ungani 1 and Ungani 2 wells are being produced and shut-in alternately to gather pressure data and assist with well clean-up. As at the end of the quarter a total of 37,814 barrels of oil had been produced from the Field, with Ungani 1 producing some 8,210 barrels of oil and Ungani 2 producing some 29,604 barrels of oil since the commencement of the clean-up flows.

Buru has previously made volumetric estimates from the available seismic and well data that the Field could hold between 5 and 20 million barrels of recoverable oil. Downhole and surface pressure data have now been obtained from the wells and these dynamic data have allowed estimates of oil volumes that are independent of the volumetric calculations. Given the specialised nature of the interpretation of this data, Buru has engaged ODSI and AWT, specialist reservoir engineers, to review the data and assist with confirming the increased minimum estimated recoverable volumes.

Although the data are preliminary, there is very good confidence that the existing wells are accessing a minimum of 8 million barrels of mobile oil. The pressure data also indicate that, due to limited production run-times to date, the existing wells have only observed a portion of the reservoir. The concurrence of these independent volume determination methods provides additional confidence in the interpretation of both the dynamic and the volumetric calculations. The dynamic calculation also leaves considerable upside from this minimum volume. As further data is acquired from the EPT and from the further appraisal work planned for the Field, further refinement to estimates of the minimum and maximum recoverable volumes of oil will be undertaken, ahead of a third party reserves determination.

The next stage of appraisal work on the Field is the acquisition of a 3D seismic survey over the Field, with line clearing commencing during the quarter, with the subsequent drilling of appraisal wells based on the 3D seismic data. This additional work is an important step in quantifying the ultimate reserves of the Field. Planning for the appraisal drilling is underway, with a target start date of early 2013.

Planning for Ungani Full Field Development

Full production from the Field requires the issue by the Western Australian DMP of a Production Licence. The Production Licence requires the development of a Field Development Plan (**FDP**), and the approval by the DMP of this plan. It also requires the execution of a Production Agreement between Buru and the Traditional Owners of the Ungani area, and negotiations in that regard were continued during the quarter.

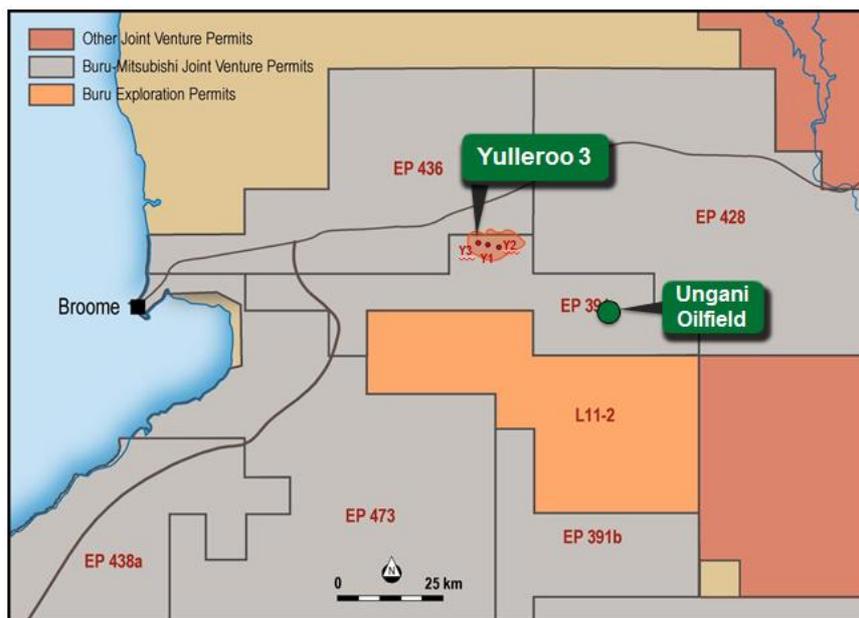
The FDP, together with key environmental management documents for the Field, have now been submitted to the DMP for review and approval. These documents will be refined on an iterative basis as more analysis of the Field and production options is undertaken.

Drilling

During the quarter the Company commenced drilling of the Asgard 1 well, and completed the drilling of the Yulleroo 3 well. Drilling operations were also commenced at the Ungani North 1 well but were subsequently suspended due to a mechanical failure on Century Rig #7 which was then released. Subsequent to the end of the quarter, drilling operations recommenced at the Ungani North 1 well with Century Rig #32.

Yulleroo 3

Yulleroo 3 is the third well to be drilled in the 2012 Appraisal and Exploration Program. The well is located in exploration permit EP 391 some 80 kilometres to the east of Broome. Buru and Mitsubishi each have a 50% interest in this well and in EP 391, with Mitsubishi contributing 80% of the cost of the well under the terms of its farm-in agreement with Buru.

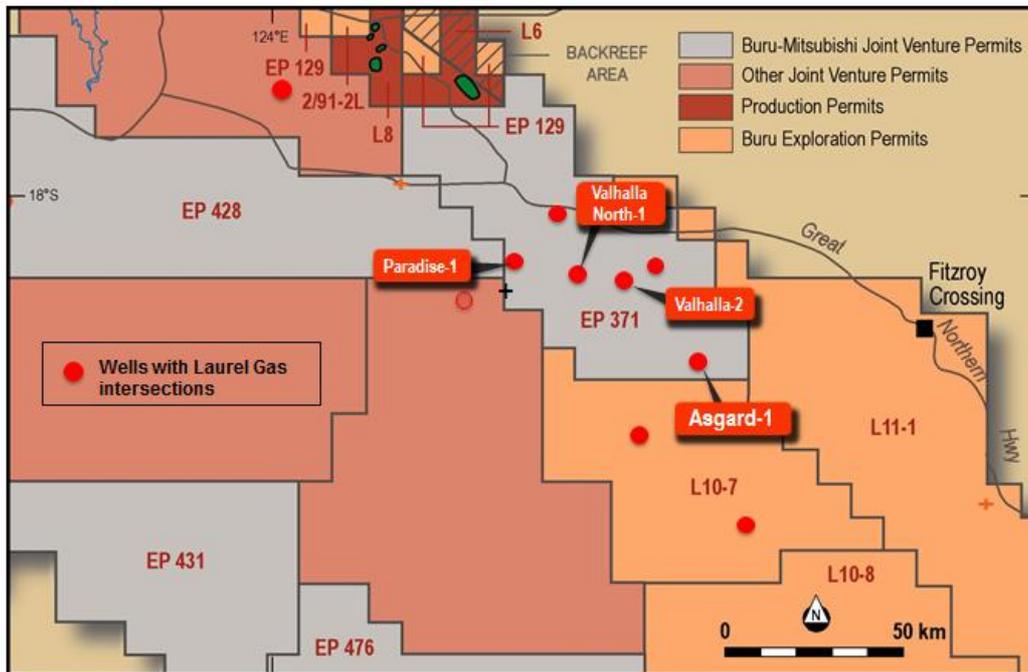


The drilling of Yulleroo 3 confirmed the significant upside potential of the Yulleroo Field, with strong gas shows from approximately 2,130 metres measured depth to the final total depth of 3,712 metres, including over a thousand metres of gas charged section above the previously interpreted top of the gas sands in Yulleroo 1. A package of sands with conventional reservoir properties was also identified at approximately 3,200 metres measured depth. If this sand is developed over a larger area with similar reservoir properties it could add significantly to the commercial potential of the Field.

There was also a good stratigraphic correlation with the Laurel section in Yulleroo 1, about two kilometres away, which provides confidence in the continuity of the reservoir section across the greater Yulleroo structure, and hence the volumes of gas in the structure. The gas wetness ratios and inferred pressure data in the well are also indicative of the Yulleroo accumulation potentially being part of a broader basin centred gas accumulation similar to the Valhalla accumulation, which would significantly add to the resource upside of the Field.

Asgard 1

Asgard 1 is the fifth well to be drilled in the 2012 Appraisal and Exploration Program. The well is located in Exploration Permit EP 371 some 180 kilometres to the southeast of Derby, and 30 kilometres northeast of Noonkanbah Station. Buru and MC each have a 50% interest in this well and in EP 371.



During drilling gas shows increasing with depth were encountered from the top of the Upper Laurel Clastics at approximately 1,919 metres measured depth to the revised total depth of 3,524 metres. The well was deepened to this revised total depth as strong gas shows in discrete sand units were still being encountered close to the original proposed total depth of 3,400 metres.

These gas shows are similar to those encountered in Valhalla North 1, with similar gas wetness ratios and heavier hydrocarbon indications. During logging operations hole conditions deteriorated and the planned full log suite, including the wireline pressure and sample measurements, was not able to be obtained. However, the logs obtained were sufficient to provide the data required to assess the potential of the well, and indicated gas saturations over the extent of the Laurel section in tight sands, silts and limestones. A limited set of rotary sidewall cores was able to be obtained, including from the section close to total depth, where gas was noted bleeding from the cores at surface, and also from the section close to the top of the Laurel Formation where gas was also noted bleeding from a sidewall core at surface.

These results are similar to the results of the Valhalla wells and provide further confirmation of the extent of the Basin Centred Gas Accumulation identified by these wells. In addition to the similarities to the Valhalla wells in gas wetness and balance ratios, there are also interesting differences in the geology, including the identification of a potential new play type in the Lower Laurel section with strong gas shows, which led to the deepening of the well past the original proposed total depth. The full evaluation of the well will take some time, and the results will be incorporated into the prospective resource estimates provided by McDaniel.

Ungani North 1

Ungani North 1 was the fourth well to be drilled in the 2012 Appraisal and Exploration Program. The well is located in exploration permit EP 391 some 100 kilometres to the east of Broome, and lies some six kilometres north of the Ungani Production Facility. Buru and MC each have a 50% interest in this well and in EP 391, with MC and Buru each contributing 50% of the cost of the well.

The Ungani North 1 well was suspended after being drilled to a depth of 2,292 metres due to a mechanical failure on MB Century Rig #7 which resulted in damage to the top drive and parts of the rig, and the subsequent release of Rig #7 by Buru. The top of the Ungani reservoir is interpreted to be some 250 metres below the point at which the well was suspended. Drilling operations commenced subsequent to the end of the quarter with Rig #32. The Ungani North 1 forward program involves 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 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 planned total depth of 3,500 metres to test the Nullara play where good oil and gas shows were encountered in the Ungani 1 well.

Exploration

The Company's other exploration activities during the quarter focused on:

- completion of the Yakka Munga and Asgard 2D seismic surveys;
- the commencement of line clearing for the Ungani 3D seismic survey;
- planning, in conjunction with Mitsubishi, for the remainder of the 2012 and the 2013 Appraisal and Exploration Programs;
- progressing the regulatory, Traditional Owner and joint venture approvals process for the remainder of the 2012 Appraisal and Exploration Program.

Completion of the Yakka Munga and Asgard 2D Seismic Surveys

During the quarter Terrex Seismic completed the Yakka Munga 2D seismic survey over the very prospective Yakka Munga area. The Yakka Munga area covers the northeastern extension of the Ungani trend and contains a number of large conventional oil prospects currently being considered for drilling in 2013. Terrex Seismic also completed the Asgard 2D seismic survey. 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.

Commencement of Ungani 3D Seismic Survey

During the quarter, on ground preparations for the acquisition of the Ungani 3D seismic survey commenced. The Ungani 3D seismic survey consists of 245 square kilometres of new 3D seismic over the Ungani Field. It is designed to define the detailed structural configuration of the Ungani Field. This will assist in both the siting of future appraisal wells, and in quantifying the reserves of the Field. Acquisition is being conducted by Terrex Seismic, who successfully acquired the Yulleroo and Bunda 3D seismic surveys for Buru in 2011 and 2009 respectively. The results of the Ungani 3D are expected to be available for interpretation in late 2012 or early 2013, depending on the time taken for acquisition and processing. Acquisition of the 3D seismic survey commenced subsequent to the end of the quarter.

Planning for the remainder of the 2012, and the upcoming 2013 Appraisal and Exploration Programs

During the quarter the joint venture continued planning for the remainder of the 2012 Appraisal and Exploration Program, and began planning for the upcoming 2013 Appraisal and Exploration Program.

Under consideration for the remainder of the program for 2012 are the Emanuel 1 well, to test a large conventional Frasnian reef prospect, and an underlying major Gogo Shale unconventional prospect, and the Yulleroo 4 well to further appraise the Yulleroo accumulation and confirm the presence of a significant basin centred gas play. The Company will also participate, with Mitsubishi, Key Petroleum and Indigo Oil in drilling the Cyrene 1 well to test a conventional shallow oil play and the Goldwyer Shale where it is interpreted to be in the oil window.

Preliminary discussions are underway regarding the program for 2013. To ensure fit for purpose equipment is available, the Company has commenced 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.

Approvals Process

During the quarter the Company continued the regulatory approval processes required for the remainder of the 2012 Appraisal and Exploration Program. Detailed operational, environmental and health and safety management plans are being submitted for assessment by the DMP as they are prepared.

Discussions also continued with Traditional Owners on whose lands the 2012 Appraisal and Exploration Program is being conducted.

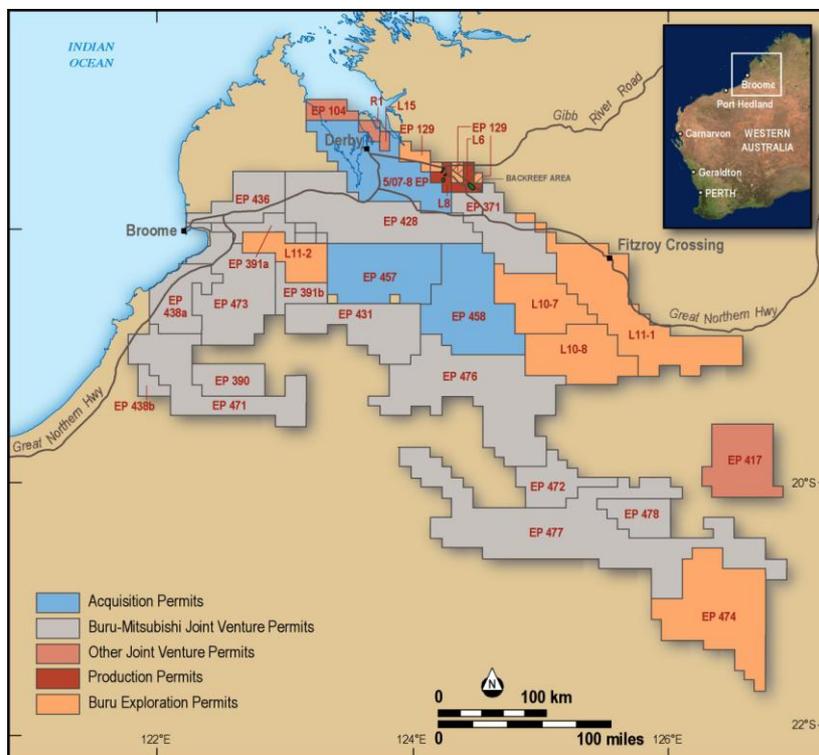
Corporate

The key corporate activities for the quarter were:

- the acquisition of interests in EP 457, EP 458 and application area 5/07-8;
- successfully raising a total of \$40 million (before costs) by way of a placement to institutional investors to fund the above acquisitions;
- strengthening the Company's Senior Management Team and Board; and
- the signing of a heritage protection agreement with the Traditional Owners of the Noonkanbah area.

Acquisition of New Acreage and Capital Raising

During the quarter Buru entered into two transactions to substantially increase the Company's acreage position across highly prospective areas of the Canning Superbasin. These transactions supplement and expand the Company's access to the key Ungani oil trend and the Valhalla tight gas accumulation, including further substantial exposure to the potential basin wide Laurel Formation wet gas accumulation.



Pursuant to these transactions, Buru acquired an indirect 90% interest in each of EP 457 and EP 458 by acquiring all of the shares in Gujarat NRE Oil Limited (**GNOL**) from its parent company for a total cash consideration of \$36 million, and the right to a 50% interest in the permit to be issued in respect of

application area 5/07-8 (**Derby Block**), from Backreef Oil Limited, for a total cash consideration of \$3.5 million to be paid upon grant of the permit (together, the **Acquisitions**).

The Acquisitions were funded by a fully underwritten placement of new shares to institutional investors to raise \$40 million (before costs) with settlement occurring after quarter end.

Exploration Permits EP 457 and EP 458 cover parts of the southern flank of the Fitzroy Trough where the Goldwyer Shale lies in the oil to wet gas window, and they also cover the Fitzroy Trough proper where the Ungani trend and the Laurel Formation tight gas plays are interpreted to be present.

Buru's acquisition of the Fitzroy Permits is through the acquisition of GNOL, which holds a 90% interest in each of the new permits and is the operator of the permits. The remaining 10% interest in the permits is held by Rey Resources Limited (**Rey**). Under the pre-existing farm-in arrangement, Rey's share of exploration costs will continue to be carried by GNOL through to the establishment of production from the permits, when any carry costs will be repaid from production.

Native title agreements are currently being negotiated prior to grant of the permit in respect of the Derby Block. Negotiations are expected to conclude later this year or early in 2013. On grant of the permit, Buru will acquire and pay for the 50% interest currently held by Backreef Oil Limited. Although the Derby Block exploration potential is less well developed than the Fitzroy Permits, it includes the Laurel tight gas play, an untested conventional Devonian reef oil play, and shallow conventional oil plays.

The Acquisitions will increase Buru's net acreage position in the Canning Superbasin to approximately 17 million acres. Importantly, the new permits create a continuous and contiguous basin-wide acreage position which gives the Company uninterrupted access to the most prospective parts of the Superbasin. Buru now holds a commanding strategic position in the Superbasin, ideally positioning the Company to participate in any future consolidation, as well as continuing the development of its many highly prospective plays.

Under a further agreement to the initial Buru Mitsubishi farmin agreement, Buru has agreed to provide Mitsubishi with an option period during which Mitsubishi may acquire half of Buru's interests in these newly-acquired permits and the application area, on the same terms as Buru, subject to all necessary approvals.

Capital Raising

During the quarter Buru successfully raised \$40 million (before costs) through the placement of new shares to institutional investors (**Institutional Placement**), with shares issued and funds received after the end of the quarter.

The Institutional Placement was conducted via a variable price bookbuild, at a final price of \$2.75 per share, a 3.5% discount to the last closing price on 25 September 2012. The bookbuild was significantly oversubscribed. Under the Institutional Placement, Buru issued 14,545,455 shares, representing some 5.8% of the Company's current issued capital.

Strengthening of Senior Management Team and Board

Buru also announced a significant restructure and strengthening of the Company's senior management team during the quarter to ensure the Company is effectively resourced for the next stage of growth. To facilitate and manage the Company's growth, and continue to capture future opportunities to add value for shareholders, the Board undertook a systematic review of the senior management structure of the Company to ensure appropriately skilled and experienced staff are in place. This review is ongoing, but a number of senior appointments have now been finalised. The appointments made were Chief Financial Officer, Chris Bath; Chief Commercial Officer, Bill Williams; Chief Operating Officer, Marie Malaxos; Chief Scientist, Damian Ogburn; and General Counsel, Lauren West.

The Board is also pleased to advise that Dr Keiran Wulff has agreed to join the Company's Board with effect from 19 October 2012. Dr Wulff holds a PhD. in petroleum geology and has worked in the oil and gas industry for over 25 years. He brings extensive and highly relevant experience to the Company.

Noonkanbah Heritage Protection Agreement

During the quarter Buru entered into a heritage protection agreement with the Yungngora Community and the Noonkanbah People in relation to its 100% exploration permit application L10-7 in the southern extension

of the Valhalla area of the Canning Superbasin. This is the first of three heritage protection agreements Buru is negotiating with the Traditional Owners of this area, and is a significant step towards enabling the formal grant of L10-7 as an exploration permit.

Buru has a longstanding and constructive relationship with the Noonkanbah People, and is very pleased to have been able to strengthen this relationship through the successful conclusion within six months of negotiations for a mutually beneficial agreement. The agreement recognises and confirms that Buru's continued exploration activity on the Noonkanbah People's country is being conducted in a way that respects the Noonkanbah People's traditions and culture.

Executive Director's Comments

"This quarter has been another very active one for the company both operationally and corporately. The results of the Asgard 1 and Yulleroo 3 wells have fulfilled and exceeded our expectations, and confirmed that we have at least two potentially world class wet gas resources in the Laurel Formation.

The acquisition of the new permits during the quarter was extremely exciting as they provide additional exposure to the Laurel Formation and several other highly prospective play types. The ability of the Company to again raise the capital required to fund these transactions so quickly is a testament to the support of the market and of our existing shareholders for our activity.

We continue to be pleased at the performance of Ungani production 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. In particular it demonstrates the high quality of the Ungani dolomite reservoir. The commencement of the 3D seismic survey also is an important step towards a reserves certification in early 2013.

We have no intention of slowing down our on ground activities despite the approaching wet season, with the program for the remainder of 2012 including a number of high impact wells."

Eric Streitberg
Executive Director

Glossary

2D	Two dimensional seismic survey
3D	Three dimensional seismic survey
FDP	Full field development plan
bopd	Barrels of oil per day
Buru or the Company	Buru Energy Limited (ASX code: BRU)
Century	Century Energy Services Pty Limited
DMP	Western Australian Department of Mines and Petroleum
Ensign	Ensign Australia Pty Ltd
EPT	Extended production test
Mitsubishi	Mitsubishi Corporation
PJ	Petajoule of sales gas
Rig #32	Ensign Rig #32
Rig #7	Century Rig #7
TCF	Trillion cubic feet of gas

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

BURU ENERGY LIMITED

ABN

71 130 651 437

Quarter ended ("current quarter")

30 September 2012

Consolidated statement of cash flows

	Current quarter \$A	Year to date (3 months) \$A
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	2,749,974	2,749,974
1.2 Payments for		
(a) exploration & evaluation	(13,032,711)	(13,032,711)
(b) acquired exploration	(13,600,000)	(13,600,000)
(c) development	(187,389)	(187,389)
(d) production	(1,363,390)	(1,363,390)
(e) administration	(2,656,202)	(2,656,202)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1,011,360	1,011,360
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Payments for restoration to existing producing assets		
1.8 Joint venture partner's share of technical and administrative expenditure	3,740,000	3,740,000
Net operating cash flows	(23,338,358)	(23,338,358)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) fixed assets	(595,319)	(595,319)
1.9 Proceeds from sale of:		
(a) fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (Investments)	-	-
Net investing cash flows	(595,319)	(595,319)
1.13 Total operating and investing cash flows (carried forward)	(23,933,677)	(23,933,677)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(23,933,677)	(23,933,677)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	31,000	31,000
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Loan pursuant to the employee share acquisition scheme	-	-
Net financing cash flows		31,000	31,000
Net increase (decrease) in cash held		(23,902,677)	(23,902,677)
1.20	Cash at beginning of quarter/year to date	86,234,854	86,234,854
1.21	Exchange rate adjustments to item 1.20	(18,248)	(18,248)
Cash at end of quarter including cash held in escrow		62,313,929	62,313,929
Less cash held in escrow		(24,521,451)	(24,521,451)
1.22	Cash at end of quarter	37,792,478	37,792,478

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A
1.23	Aggregate amount of payments to the parties included in item 1.2	189,000
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
N/A		

Non-cash financing and investing activities

2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
<p>Buru Energy Ltd (“Buru”) and Alcoa of Australia Ltd (“Alcoa”) have agreed to escrow \$20,000,000 and interest thereon in partial satisfaction of Buru’s obligations to repay a \$40,000,000 gas prepayment made by Alcoa to ARC Energy Limited prior to the demerger of Buru. These financial obligations crystallise if Buru does not deliver gas under the gas sales agreement between Alcoa and Buru from gas supplied from the Canning Basin or elsewhere, with repayment obligations being in three equal annual instalments commencing 31 December 2013. This cash balance in escrow has received interest totalling \$4,521,451 taking the total escrowed cash balance to \$24,521,451.</p>	

2.2	Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest
	N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A	Amount used \$A
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		\$A
4.1	Exploration and evaluation	11,000,000
	Exploration and evaluation acquisition - 90% interest in EP 457 & 458	22,400,000
4.2	Development	500,000
4.3	Production	2,200,000
4.4	Administration	2,500,000
	Total	38,600,000

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A	Previous quarter \$A
5.1 Cash on hand and at bank	37,792,478	62,152,233
5.2 Deposits at call	-	207,601
5.3 Bank overdraft	-	-
Total: cash at end of quarter (item 1.22)	37,792,478	62,359,834
Cash held in escrow	24,521,451	23,875,020
Total: cash at end of quarter including cash held in escrow	62,313,929	86,234,854

Note: The Company successfully raised \$40m (before costs) during the September quarter with funds received after quarter end.

Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	N/A		
6.2	Interests in mining tenements acquired or increased	N/A		

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>	N/A	N/A	N/A	N/A
7.2 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	251,032,144	251,032,144	N/A	N/A
7.4 Changes during quarter				
(a) Increases through issues	25,000	25,000	\$1.24	\$1.24
(b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>	N/A	N/A	N/A	N/A
7.6 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through securities matured, converted	-	-	-	-
7.7 Options <i>(description and conversion factor)</i>			Exercise price	Expiry date
	3,720,000	-	\$0.48	31 Dec 2012
	290,000	-	\$0.75	31 Dec 2012
	1,825,000	-	\$1.24	31 Dec 2013
	2,500,000	-	\$1.03	30 Apr 2013
	2,500,000	-	\$1.12	31 Oct 2013
	2,500,000	-	\$1.20	30 Apr 2014
	50,000	-	\$1.58	31 Dec 2013
	<u>320,000</u>	-	\$1.86	31 Dec 2013
	13,705,000			
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	25,000	25,000	\$1.24	\$1.24
7.10 Expired during quarter	-	-	-	-
7.11 Debentures <i>(totals only)</i>	N/A	N/A		
7.12 Unsecured notes <i>(totals only)</i>	N/A	N/A		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Eric Streitberg
Executive Director

..... Date: 29 October 2012

Notes:

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 Issued and quoted securities; the issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.