

Quarter Ended 31 March 2012

Introduction

The directors of Buru are pleased to present this report for the quarter ended 31 March 2012. The highlight of this quarter was the success of the Valhalla North-1 well which confirmed the presence of a substantial unconventional wet gas accumulation in the Valhalla area. Buru estimates a prospective resource in the immediate Valhalla area of at least 2 TCF of recoverable gas and the potential for tens of millions of barrels of associated liquids. Additional drilling is planned during the year to further define what could be a very large Basin Centred Gas Accumulation in the Valhalla area.

The seasonal weather conditions during the quarter have delayed the commencement of the next well in the 2012 Appraisal and Exploration Program, and also delayed the commencement of the oil production test program at the recently discovered Ungani oil field. The drilling of the next wells in the 2012 Appraisal and Exploration Program, Yulleroo-3, and the deepening of Paradise-1, are now expected to commence in mid-May at around the same time as the commencement of the EPT.

The Company was also the successful bidder for two new exploration permits in the Canning Superbasin during the quarter. These permits provide additional exposure to the proven Ungani oil play and the Valhalla wet gas accumulation as well as the regional Goldwyer Shale play where it is interpreted to be in the oil window.

Overview

The key operational activities for the quarter were:

- the completion of drilling operations at the Valhalla North-1 well by Ensign Rig #32, the first well in the 2012 Appraisal and Exploration Program;
- the continuation of preparations for an extended production test ("EPT") of the Ungani oil field;
- progressing the regulatory, Traditional Owner and joint venture approvals process for the 2012 Appraisal and Exploration Program; and
- finalising arrangements with oil field service providers for the supply of all support services for the 2012 Appraisal and Exploration Program.

The key corporate activities for the quarter were:

- the award of two additional petroleum exploration permits in the Canning Superbasin; and
- the Company's admission into the S&P/ASX 300 index.

Subsequent to the end of the quarter, preparations for the EPT recommenced, Ensign Rig #32 was mobilised to drill Yulleroo-3 and the contract for Century Rig #7 to deepen the Paradise-1 well was activated.

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 \$6,419,873 for the quarter (December 2011: \$14,821,701), the majority of which are costs associated with drilling operations at the Ungani-2 and Valhalla North-1 wells;
- cash payments of \$22,569,575 were received from Mitsubishi during the quarter in contribution towards MC's share of the residual costs of the 2011 Exploration Program and the commencement of the 2012 Appraisal and Exploration Program;
- interest income of \$849,707 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 was lower in the quarter as a result of shut-ins of key wells due to mechanical issues, resulting in a net operating cash outflow for the quarter of \$126,677 (December 2011: net cash inflow of \$176,824);
- administration and other operating costs of \$2,819,395 were incurred, an increase on the previous quarter (December 2011: \$1,557,745) reflecting payments to staff under the Company's 2011 staff incentive plans and the Company's growth in staff and organisational structure required for the development of the Ungani oil field and the conduct of the 2012 Appraisal and Exploration Program; and
- the purchase of capital assets of \$1,323,234 (principally oilfield production equipment), the majority of which will be utilised during the Ungani EPT.

The Company recorded a net cash outflow of \$10.6 million (before exchange rate adjustments) for the quarter (December 2011: net cash outflow \$6.9 million). The net cash outflow does not reflect Buru's actual costs of exploration in the quarter, but is a function of the timing of payments by Buru for the joint venture's exploration costs paid and the receipt of reimbursement payments from Mitsubishi in accordance with its obligation to contribute to the costs of the drilling and EPT programs.

At the end of the quarter the Company had net cash reserves of \$17.3 million available for exploration and development of the Canning Superbasin (December 2011: \$28.3 million). These cash reserves plus expected cost reimbursement of \$3.7 million from Mitsubishi, in conjunction with 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 June 2012 quarter:

- **Exploration** – \$10 million of exploration costs are expected to be payable in the June 2012 quarter being the ongoing costs of the 2012 Appraisal and Exploration Program.
- **Development** - \$3 million of development costs are expected to be payable in the June 2012 quarter being costs associated with the commencement of the Ungani EPT.
- **Production** – In relation to the Blina and Sundown oilfields, a \$0.6 million cost of production is expected in the June 2012 quarter. Cash inflows in the June 2012 quarter are expected to be \$0.4 million, leading to a forecast net cash outflow of \$0.2m for Buru's production activities from the Blina and Sundown oilfields during the quarter. Cash inflows for the EPT have not been forecast for the June 2012 quarter given the planned variable production rates during the data gathering phase of the test.
- **Administration** – \$2 million in administration costs are expected to be payable in the June 2012 quarter, as the Company puts in place the necessary resources required for the development of the Ungani oil field, in addition to the commencement of the 2012 Appraisal and Exploration Program.

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 30 bopd for the quarter (December 2011: approximately 57 bopd). Oil production generated cash receipts during the quarter of \$330,787 (December: \$640,189). The fields produced a net cash outflow of \$176,824 for the quarter (December 2011: net cash inflow \$176,824) due to mechanical problems with key wells. The Company expects to bring the off line wells back into production early in the June quarter.

Ungani Extended Production Test

Preparations for an EPT at the Ungani oil field continued during the quarter, however, Tropical Cyclone Lua and ongoing rain during March and early April meant on-ground operations were significantly restricted during this period, leading to a temporary suspension of preparations for the EPT. At the end of the quarter, all regulatory and Traditional Owner approvals for the conduct of the EPT had been received, and all necessary equipment was on hand. Subsequent to the end of the quarter, on-ground preparations recommenced on a full time basis, with the EPT scheduled to commence in approximately mid-May.¹ The regulatory and Traditional Owner approval processes required for the next stage of full field development were also progressed during the quarter.

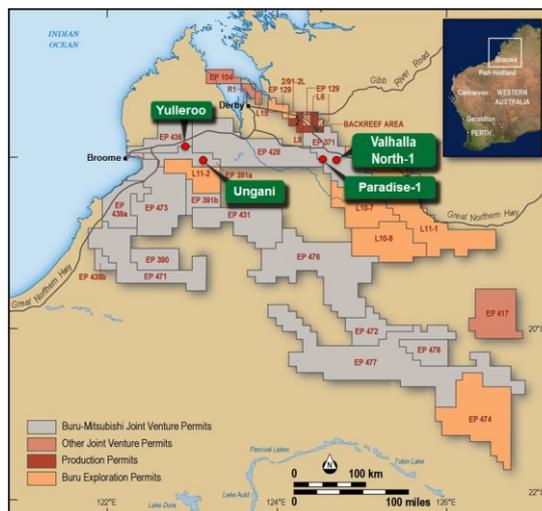
The EPT will assist in determining the reservoir parameters, performance characteristics and potential reserves of the Ungani oil field. The EPT is currently proposed to be carried out over an initial three to six month period with an initial production rate of up to 500 bopd, constrained by surface facilities and trucking logistics. During the first data gathering phase of the test, production rates will be variable in accordance with the planned comprehensive test program. An increase in production up to 1,000 bopd is planned as experience is gained in the production characteristics of the field and in the management of the oil transportation system. The produced oil will be trucked to Perth during the EPT while the logistics of export from a northwest port are investigated ahead of the full field development program.

Drilling

During the quarter the Company completed drilling operations at the Valhalla North-1 well.

Valhalla North-1

Valhalla North-1 was the first well to be drilled in the 2012 Appraisal and Exploration Program. The well is located in exploration permit EP 371, as shown on the map below. Buru and Mitsubishi each have a 50% interest in this well and in EP 371, with MC contributing 80% of the cost of the well under the terms of its farm in agreement with Buru.



¹ All operations and their timing noted in this ASX release are indicative only. All operations are subject to weather and operational requirements and receipt of all necessary regulatory, joint venture and traditional owner approvals.

Valhalla North-1 was drilled "off structure" from the Valhalla-2 well location to determine whether the gas accumulation seen in the Valhalla-2 well was structurally controlled (which would have implied several hundred BCF of gas potential), or whether the accumulation is part of a much larger multi-TCF "resource" accumulation. The gas shows in the Valhalla North-1 well were consistent with those observed in Valhalla-2, and extend over a similar interval of some 1,300 metres to the total depth of the well at 3,356 metres. The Valhalla North-1 well, together with further analysis of existing wells in the Valhalla area, confirmed Buru's interpretation of the regional extent of the Valhalla area Laurel Formation wet gas accumulation. This has led Buru to estimate a prospective resource in the immediate Valhalla area of at least 2 TCF of recoverable gas and the potential for tens of millions of barrels of associated liquids.

If the currently interpreted extent of the accumulation is verified by the further appraisal drilling which is planned during 2012, Buru estimates the greater Valhalla area Laurel Formation accumulation has the potential to hold prospective resources in excess of 20 TCF of recoverable gas and hundreds of millions of barrels of liquids.

Exploration

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

- planning, in conjunction with Mitsubishi, for the 2012 Appraisal and Exploration Program;
- progressing the regulatory, Traditional Owner and joint venture approvals process for the 2012 Appraisal and Exploration Program; and
- finalising arrangements with oil field service providers for the supply of all support services for the conduct of the 2012 Appraisal and Exploration Program.

Planning for the 2012 Appraisal and Exploration Program

During the quarter the joint venture continued planning for the 2012 Appraisal and Exploration Program.

The second drilling rig for the 2012 Appraisal and Exploration Program, Century Rig #7, will be mobilised to the Canning Superbasin in late April after completing its current drilling program in the Perth Basin. It will first deepen the Paradise-1 well to test both conventional oil and gas targets and the potential for a significant western extension of the Valhalla area unconventional wet gas accumulation. Operations at Paradise-1 are expected to commence some three weeks after rig mobilisation, indicatively in mid-May.

If the Laurel Formation is encountered as expected in Paradise-1, and has similar gas bearing properties to those seen in the Valhalla-2 and Valhalla North-1 wells, it will confirm a potential 21 km westerly extension of the Valhalla area unconventional wet gas accumulation. This will assist in confirming Buru's current estimates of the prospective recoverable volumes of gas in the accumulation.

The Paradise-1 well is sited on a prominent regional structural high, and good oil shows and a potential oil column were encountered in the shallow part of the well. The development of conventional reservoirs with both oil and gas potential, in addition to the presence of the Laurel Formation tight gas reservoirs is considered a good possibility in this location.

The balance of the forward program remains under review and consideration by the joint venture and will depend on the results of the Yulleroo-3 well and Paradise-1 deepening operations, receipt of all necessary approvals and ongoing weather conditions. It is expected that the program will include additional appraisal wells on the Valhalla and Yulleroo unconventional gas accumulations and further exploration wells in the Ungani trend exploration province.

The offer of L11-1 and L11-2, in addition to L10-7 and L10-8 in late 2011, brings to a total of four new permits that have been offered to Buru by the DMP in the past 9 months after strongly competitive bid processes. Collectively, these new permits confirm and enhance the Company's dominant acreage position in the most prospective parts of the Canning Superbasin. Final award of all of these permits is subject to completion of negotiations with Traditional Owners under the *Native Title Act 1993* (Cth).

Admission to the S&P/ASX 300 Index

Effective from 16 March 2012 Buru was admitted to the Standard & Poor's/ASX 300 index. Admission to the index is recognition of the Company's significant recent success and its transition from a small exploration company to a mid-cap exploration and production company.

Executive Director's Comments

"The confirmation of the potential for a multi TCF regional wet gas accumulation in the Valhalla area was an extremely significant milestone for the Company, demonstrating the huge potential of the Canning Superbasin and confirming it as the most prospective onshore basin in Australia.

While normal seasonal weather conditions have slightly delayed our program, the EPT of the Ungani oil field is expected to commence in a few weeks' time with our program of 3D seismic over the field expected to commence in mid-2012. This will be followed by two appraisal/production wells with the aim of a reserves certification at Ungani by the end of 2012.

The commencement in the next few weeks of both the Yulleroo-3 well and the deepening of Paradise-1 are the continuation of a very exciting appraisal and exploration program for 2012. Notwithstanding weather delays, we are making better progress than at the same time in 2011, when we were still a month and a half from spudding our first well.

With our recent success at Valhalla and Ungani, two drilling rigs in the Superbasin and a multitude of conventional and unconventional oil and gas targets, 2012 will be by far the most exciting program in the Company's history."

Eric Streitberg
Executive Director

Glossary

2D	Two dimensional seismic survey
3D	Three dimensional seismic survey
bopd	Barrels of oil per day
Buru or the Company	Buru Energy Limited (ASX code: BRU)
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
TJ	Terajoule of sales gas

Buru Energy Limited
ABN 71 130 651 437

Address: Level 2, 97 William Street, Perth WA 6000
Postal Address: PO Box 7794, Perth Cloisters Square WA 6850

Communications: Free call: 1800 337 330 or Email: info@buruenergy.com



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")

31 March 2012

Consolidated statement of cash flows

	Current quarter \$A	Year to date (9 months) \$A
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	598,931	2,791,953
1.2 Payments for (a) exploration & evaluation	(6,419,873)	(27,357,586)
(b) development	(1,056,074)	(1,165,678)
(c) production	(484,367)	(1,493,489)
(d) administration	(2,819,395)	(6,023,354)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	849,707	2,781,346
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	-	-
Net operating cash flows	(9,331,071)	(30,466,808)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) fixed assets	(1,323,234)	(2,668,029)
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	(1,323,234)	(2,668,029)
1.13 Total operating and investing cash flows (carried forward)	(10,654,305)	(33,134,837)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(10,654,305)	(33,134,837)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	18,600	25,785,967
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	-	98,000
Net financing cash flows		18,600	25,883,967
Net increase (decrease) in cash held		(10,635,705)	(7,250,870)
1.20	Cash at beginning of quarter/year to date	51,806,641	48,390,600
1.21	Exchange rate adjustments to item 1.20	(22,161)	9,045
Cash at end of quarter including cash held in escrow		41,148,775	41,148,775
Less cash held in escrow		(23,875,020)	(23,875,020)
1.22	Cash at end of quarter	17,273,755	17,273,755

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	120,000
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 \$3,875,020 taking the total escrowed cash balance to \$23,875,020.</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	10,000,000
4.2	Development	3,000,000
4.3	Production	600,000
4.4	Administration	2,000,000
	Total	15,600,000

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	10,068,227	9,254,574
5.2 Deposits at call	7,205,529	19,000,000
5.3 Bank overdraft	-	-
Total: cash at end of quarter (item 1.22)	17,273,756	28,254,574
Cash held in escrow	23,875,020	23,552,067
Total: cash at end of quarter including cash held in escrow	41,148,776	51,806,641

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	234,219,477	234,219,477	N/A	N/A
7.4 Changes during quarter				
(a) Increases through issues	15,000	15,000	\$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
	1,971,000	-	\$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
	13,851,000			
7.8 Issued during quarter	320,000	320,000	-	-
7.9 Exercised during quarter	15,000	15,000	-	-
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:  Date: 27 April 2012
Eric Streitberg
Executive Director

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.