

ASX ANNOUNCEMENT (ASX: BRU) 17 January 2012

COMMENCEMENT OF DRILLING OPERATIONS VALHALLA NORTH-1

Buru Energy Limited (“**Buru**” or “**Company**”) advises that its 2012 drilling operations in the Canning Superbasin have commenced with the spud of the Valhalla North-1 well at 04:00hrs, 17 January 2012 (AWST).

The Valhalla North-1 well is the fifth well in the Buru – Mitsubishi Corporation (“**MC**”) Joint Exploration Program in the Canning Superbasin that commenced in June 2011 with the drilling of the Valhalla-2 well.

Buru and MC each have a 50% interest in the Valhalla North-1 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.

Valhalla-2 confirmed the presence of a number of tight and possible conventional gas reservoirs across an extended section of gas charged Laurel Formation. Gas influxes were continuously encountered while drilling the Laurel section down to total depth of 3,390m, resulting in a number of drilling interruptions while the gas was flared.

The presence of continuous high levels of background gas over an interval of up to 1,300m in the Valhalla structure can be interpreted as either a basin centred accumulation, or a combination structural / stratigraphic trap against the flank of the basin, both of which imply the presence of a substantial tight gas and condensate accumulation.

To determine whether the gas in Valhalla-2 is present because it is in a structural trap, which would imply several hundred BCF of gas potential, or whether it is part of a much larger multi-TCF “resource” accumulation, the Valhalla North-1 well has been deliberately sited “off structure”. This location is expected to provide as definitive a test as possible of the potential for a very substantial resource accumulation in the area.

The Valhalla North-1 well is located some 6 kilometres to the northwest of Valhalla-2, between the Valhalla-2 well and the Paradise-1 well. Paradise-1 is located some 16 kilometres to the west of Valhalla North-1. Paradise-1 is planned to be deepened at the end of the wet season to the test Laurel Formation resource play, and will therefore also provide a very significant test of the extent of the Valhalla resource accumulation.

The Valhalla North-1 well is being drilled by Ensign Rig #32 to a planned total depth of 3,400 metres. It is expected to take 38 days to drill on a cased and completed basis.¹

The first drilling progress report for the well is attached. During the course of drilling operations, drilling progress reports will be provided to the ASX each Thursday and as required upon the occurrence of any material event. The Company expects to issue the next drilling progress report on 27 January 2012 unless a material event occurs in the interim.

¹ *Drilling dates and times in this ASX release are indicative only. The timing of drilling operations is subject to weather and operational factors.*

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

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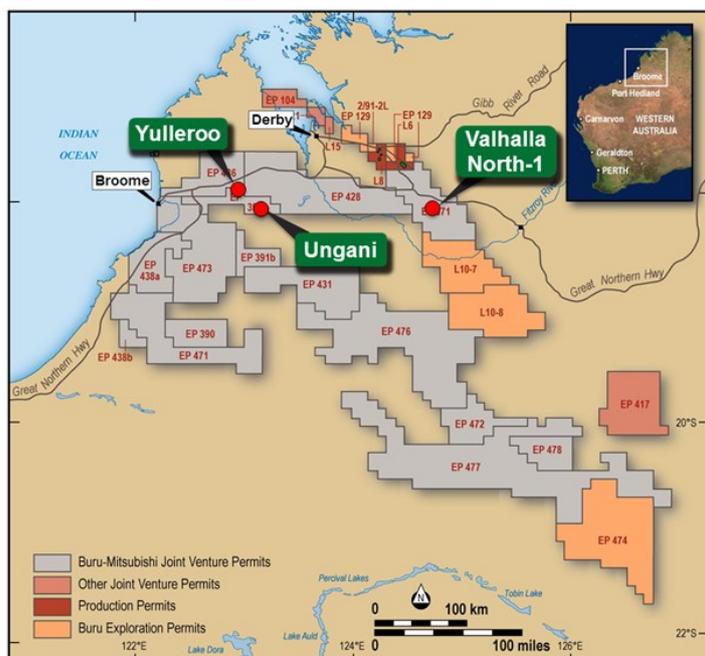
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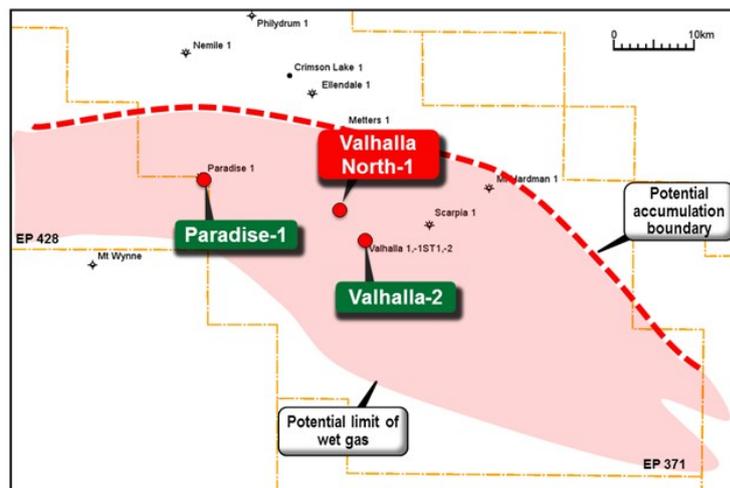
VALHALLA NORTH-1

PERMIT	The Valhalla North-1 well is located in exploration permit EP 371. Maps showing the location of the well are set out below.
WELL LOCATION	18° 01' 32.8"S 8006107mS 124° 43' 47.1"E 683112mE
BURU'S INTEREST	Buru Energy Limited holds a 50% interest in the well
DATE OF PROGRESS REPORT	06:00hrs, 17 January 2012 (AWST)
PROPOSED TOTAL DEPTH	3,400m
CURRENT DEPTH	47m
PROGNOSED TIME TO COMPLETION	38 days
SPUD DATE	17 January 2012
DAYS SINCE SPUD	0 days
CURRENT TARGET FORMATION	The Valhalla North-1 well is targeting the Upper and Lower Laurel gas reservoirs
OPERATIONS SINCE LAST PROGRESS REPORT	Drilling operations commenced at 04:00 hours, 17 January 2012 (AWST)
HYDROCARBON INDICATIONS	None. None predicted.
FORWARD OPERATIONS	The well is currently drilling ahead to the first casing point

LOCATION MAPS VALHALLA NORTH-1



Valhalla North-1 regional location map



Valhalla Accumulation well locations