



Buru Energy Limited
ABN 71 130 651 437
Level 2, 97 William Street
Perth, Western Australia 6000
PO Box 7794, Perth
Cloisters Square WA 6850
Ph: 61-8 9215 1800
Fax: 61-8 9215 1899
www.buruenergy.com

ASX ANNOUNCEMENT (ASX: BRU)

25 October 2011

Extension of Alcoa Gas Supply Agreement

Buru Energy Limited (“**Buru**” or “**Company**”) is pleased to announce that Alcoa of Australia Limited (“**Alcoa**”) has extended the Gas Supply Agreement between Buru and Alcoa (“**GSA**”) by one year.

Highlights

- Buru now has until 1 January 2013 to establish sufficient reserves to supply gas to Alcoa under the GSA.
- This extension provides Buru with additional time to appraise and prove up reserves at the Yulleroo Field and the Valhalla accumulation and to also identify additional gas resources as part of Buru’s continuing drilling program.
- In the event Buru does not prove up sufficient reserves to supply gas under the GSA, the repayment period under the GSA has also been extended by a year, with the first repayment tranche (if required) not being due until 31 December 2013.

Background

The GSA provides for Buru to deliver up to 500 PJ of gas to Alcoa from discoveries made in the Canning Superbasin. Pursuant to the GSA, Alcoa made a \$40 million prepayment to Buru’s predecessor, ARC Energy Ltd, for gas to be delivered under the GSA (“**Alcoa Prepayment**”).

As a result of the extension announced today, Buru now has until 1 January 2013 to identify sufficient gas to commence delivery under the GSA. If, prior to 1 January 2013, Buru has not made a final investment decision to proceed with a gas development that would supply sufficient gas to meet its delivery obligations under the GSA, Buru will then be obliged to repay the Alcoa Prepayment in three equal annual instalments commencing on 31 December 2013. The third instalment may be satisfied with cash or Buru shares, at Buru’s election. Buru currently holds \$23.2 million in escrow in partial satisfaction of Buru’s potential obligation to repay the Alcoa Prepayment.

Importantly, this extension will ensure Buru is able to appraise both the Yulleroo Field and the Valhalla accumulation during the contract term, and will also allow consideration of any

other gas resources discovered during Buru's continuing drilling program as additional sources of supply for the GSA.

The extension of the GSA is an important part of the Company's gas commercialisation strategy. Alcoa is a "blue chip" customer able to take as a single off-take the volumes of gas needed to provide the financial security to develop the Great Northern Pipeline. Having a "blue chip" customer is also an important step to allow the conversion of contingent gas resources into bankable gas reserves.

Commenting on the extension by Alcoa, Buru's Executive Director, Eric Streitberg said:

"We are extremely pleased that Alcoa has extended the term of the gas supply agreement. The Company has had significant success in its 2011 exploration program so far, with a number of major discoveries. The extension of this agreement by Alcoa is a vindication of our hard work and a further endorsement of the prospectivity of the Superbasin.

Importantly, Alcoa is a "blue chip" customer and the agreement will underpin the construction of the Great Northern Pipeline to deliver gas from the Canning Superbasin which is a critical element required for the commercialisation of the Superbasin.

The extension of the agreement will ensure that the powerful commercial alliance between Buru and Alcoa continues and we look forward to continuing to work with Alcoa to develop the substantial gas resources of the Canning Superbasin into Western Australia's domestic market."

For inquiries please contact:

Eric Streitberg	Executive Director
Telephone	+61 8 9215 1800
Freecall	1800 337 330
Email	ericstreitberg@buruenergy.com

Yours faithfully



ERIC STREITBERG
Executive Director