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Company Insight Buru's 2011 Exploration Program & Valhalla-2 Results

Buru Energy Limited (“**Buru**” or “**Company**”) provides the attached Company Insight interview with Buru’s Executive Director, Eric Streitberg on the Company’s 2011 Exploration Program and the results of the Valhalla-2 well.

This interview and further information on the Company are available on the Buru website at: www.buruenergy.com

For inquiries please contact:

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

Yours faithfully

A handwritten signature in black ink, appearing to read "Eric Streitberg", written over a printed name and title.

ERIC STREITBERG
Executive Director



Buru Energy Limited

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Title: “Company Insight – Explains 2011 Exploration Program & Valhalla-2 Results”

Highlights of Interview

- Explains objectives of 2011 exploration program
- Explains preference for conventional or unconventional oil/gas
- Results from Valhalla-2 well extremely encouraging
- Possible size of targets in the Canning Superbasin
- Overall prospectivity of the basin
- Mitsubishi’s significant funding contribution

Record of interview:

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Buru Energy Limited (ASX code: BRU; market cap of ~\$125m) has just released an update on its exploration program for 2011. Are you able to outline what you are looking for in this program?

Executive Director, Eric Streitberg

Our 2011 program is the largest continuous exploration program ever undertaken in the Canning Superbasin and this year’s program is the result of a long term systematic exploration effort in the Superbasin by Buru. We have put in a huge amount of effort to make sure we can properly explore the basin by drilling enough wells to fully test our geological concepts.

The program has kicked off well with the drilling of the Valhalla-2 well which has given us some very exciting results. We have now just spudded our second and third wells, Pictor East-1 and Ungani-1.

We’ve also got the rest of the program being locked down with Paradise Deep, Yakka Munga-1, Lawford Deep and Yulleroo-3 confirmed for this year, and we are also looking at a number of other potential wells.

Each of these wells is chasing a specific prospect, but in general terms, we are looking for conventional oil targets in the 5 to 10 million barrel range and conventional gas targets in the 200+ BCF range. Given our current market cap, success in a conventional target in any of these wells has the potential to be a company maker. All of our wells are also testing the unconventional gas plays we have identified on our acreage, with a particular emphasis on the Laurel Formation, where we have had some very encouraging results at Valhalla-2 and of course a wet gas resource identified at Yulleroo.

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You have mentioned that the program is looking for both conventional and unconventional gas targets. Can you explain what you mean by unconventional gas in the Canning Superbasin?

Eric Streitberg

The term “unconventional gas” can mean a lot of different things, depending on where you are in the world and the rocks you’re exploring. For us, the main unconventional play we are focussing on at the moment is the Laurel Formation, which is a “tight gas” play. Tight gas isn’t shale gas or coal seam gas. It’s much closer geologically to conventional gas, with the key differences being that it has lower porosity and permeability so won’t flow as readily as the “conventional” reservoirs.

This means that you may need to hydraulically stimulate the formations to make them flow at a commercial rate which is a common practice all over the world, including other parts of Australia where tight gas stimulation has been routine for many years.

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Given the recent surge of interest in unconventional resources, including a number of \$100 million plus farm-ins in Australia, do you now see Buru as being focused on unconventional resources?

Eric Streitberg

It really is hard to draw a line – the term unconventional resources has come into common usage, but outside coal seam gas, which is really a quite different industry, you are just chasing tighter and tighter formations. It is a bit like the gold industry going after large low grade deposits, the mining methods are different but it is really just an extension of known technology.

So we’ve been working on the overall potential of our permits for at least two years and have been evaluating all the potential reservoirs and deposits grading from very good conventional reservoirs through tighter gas sands right through to very tight potential shale gas plays.

So we really have just been following a systematic and logical geological evaluation process - remember we were testing the Laurel Formation at Yulleroo almost a year ago. So, for us, unconventional gas has always been an important part of our portfolio. It complements our conventional oil and gas strategy in that a conventional oil and gas discovery is likely to be smaller than an unconventional prospect, but will be quicker and cheaper to develop, bringing reserves and cash flow in the short term. Our unconventional resources have the potential to provide a medium term, and much larger, reserves and cash flow base.

So we intend to continue to explore across our portfolio, we have some very large oil prospects in the east of the Superbasin in a different geological formation in the Acacia area, and we will be testing those next year, as well as the diversified prospects in this year’s program.

In terms of the deals you are seeing at the moment, they are the symptom of a land rush in Australia for the upside that goes with unconventional resources, particularly the high liquids content. With the US Energy Information Agency recently recognising the huge prospectivity of the industry in Australia, particularly in the Canning Superbasin, all the feedback we are receiving from offshore investors and oil and gas companies is that Australia is the place to be for unconventional hydrocarbons.

This is leading to an acreage land rush in Australia with companies around the world moving to ensure they don’t miss out on this. In that sense, I again see us as first movers. Back in 2006 we put together a unique acreage package which allows us to dominate what we see as the most prospective parts of the Canning Superbasin. In 2010 we put in place a funding structure with Mitsubishi which allows us to explore and exploit this acreage at low cost to shareholders.

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Have the results from the Valhalla-2 well had an influence on your views of the unconventional prospectivity of the Canning Superbasin? Were these results in line with your expectations?

Eric Streitberg

The results from Valhalla-2 were extremely encouraging. We have always seen the potential of the Laurel Formation which was gas filled in Valhalla-2 – it is also the main reservoir in the Yulleroo Field that we are hoping to get to development stage next year. Valhalla confirms the unconventional potential of the Laurel Formation, and potentially extends the play for several hundred kilometres. This is a very significant affirmation of the unconventional prospectivity of the Superbasin.

We also shouldn't lose sight of the fact that the Laurel Formation geology could give us a few surprises, it is quite likely it contains good conventional reservoirs in some areas and we are drilling a couple of wells this year that will have a look at that potential as well.

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Are you able to make any comment at this stage about the possible size of the Valhalla accumulation? What about any liquid content?

Eric Streitberg

It is too early for us to make any definitive comment about the potential size of the Valhalla accumulation. We take a very cautious, thorough and systematic approach to our technical work. Until we are comfortable that we have a very robust understanding of the geology we will resist the temptation to speculate about the eventual size of the accumulation!

However, what I would say is that based on our existing geological and geophysical interpretation, we know the Laurel Formation in the Valhalla area is extensive and thick and therefore has high volume potential. We have also undertaken an extensive desktop study, both internally and using world leading specialists in the US, of the potential gas recoverability from the Laurel Formation. It is clear based on this analysis that the area has the potential to hold multiple TCFs of recoverable gas. Precisely how much, it is still too early to say.

We have only done preliminary analysis of the gas composition from the gas flows in Valhalla-2, so it is also too early to comment definitively on the potential liquids content of the field. However, what is clear is that the gas is wet and will come with condensate and LPGs. If you apply a similar gas condensate ratio to the Laurel Formation in Valhalla as we think we have at Yulleroo, the Valhalla area could hold tens or even hundreds of millions of barrels of recoverable liquids.

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Will you be doing any more work on the Valhalla area as part of this year's program? When is it likely that you will be able to give some guidance on resources or reserves in the field?

Eric Streitberg

Given the potential of the Valhalla area we would obviously like to progress its appraisal and development as rapidly as possible. However, you need to do these things in a careful and rigorous way, and that means proper technical work to understand the results of Valhalla-2 and then proper planning to make sure we undertake an optimal appraisal program.

We will be pushing our technical analysis and well planning hard this year. It is possible that will allow us to include a Valhalla appraisal well late this year, but we may run into access problems with the wet season, in which case we will be drilling the first appraisal well early in the 2012 drilling season. What this means

is that we will be aiming to form some more definitive internal views on the potential this year and then pushing as hard as we can to get to resource and then reserves numbers in 2012.

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You have mentioned that a number of Buru's wells this year are targeting the Laurel Formation, the same formation that has been flowing gas at Yulleroo and seems very promising at Valhalla. What are the implications for the play in the upcoming drilling program?

Eric Streitberg

We'll be drilling a mix of wells this year, some of which, for example Pictor East-1, are targeting completely different geological formations to Valhalla and Yulleroo. But several of our wells, such as Ungani-1 and Yakka Munga-1, will also intersect the Laurel Formation and they will give us valuable insights into its extent and its geological characteristics over a very wide area.

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What does the Valhalla result mean in terms of commercialising the Canning Superbasin? Will you continue to progress with commercialising the Yulleroo field given the result at Valhalla?

Eric Streitberg

We will absolutely continue to progress with the commercialisation of the Yulleroo field. RISC is continuing their work on an appraisal and development plan for the field. Drilling Yulleroo-3 this year is a key part of this. Putting together the need to prove up reserves, and build the Great Northern Pipeline, we are looking at making a final investment decision on the Yulleroo field in late 2012 or early 2013, with first gas in late 2014 or 2015. Valhalla is obviously at least 18 months behind Yulleroo in terms of development, however, if the play proves up how we think it has the potential to do, we will be looking to develop it in parallel with Yulleroo. The more gas you have, and the larger your development program, the more cost effective and operationally efficient you can become, which is a positive outcome for the development.

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Where might you sell the gas?

Eric Streitberg

Under our current gas sales contract we would sell all of our gas from Yulleroo to Alcoa. Yulleroo will probably not fill up the whole of the Alcoa contract so we would also look to sell at least a portion of any gas from Valhalla to Alcoa as well. There is also considerable unmet demand in the Pilbara and the Midwest, and the supply of gas from the Canning Superbasin into the Western Australian domestic market would be a tremendous boost for the Domgas industry in WA.

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Can you explain your commercial relationship with Mitsubishi Corporation? If you complete the program you have outlined in 2011, what will Buru spend and what is the total cost of the exploration program including Mitsubishi's share?

Eric Streitberg

Mitsubishi are funding \$40 million out of an agreed budget of \$50 million this year, with Buru paying the balance of \$10 million. It is likely that we will end up spending more than \$50 million, just given the scale of our program and the potential to progress with the appraisal of Valhalla this year. So when you take all that into account, at the end of the year we are expecting to have around \$10 million in the bank.

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Given the scale and cost of the program, does a relatively small company like Buru have the depth of oil and gas management experience necessary to be the operator and deliver this program?

Eric Streitberg

In the current environment, getting the right people is almost as important as getting the right acreage. We are extremely lucky in this regard. Our Board has a track record of success in growing junior oil and gas exploration companies into significant oil and gas producers. I personally was involved in the first commercial oil discoveries in the Canning Superbasin in the early 1980s and have a career long belief in the potential of the Superbasin.

Our management, technical and operational teams collectively have a huge amount of experience around the world, but most importantly in Western Australia and other remote locations. Our success so far this year gives me great confidence that we have the right team to deliver on the potential of the Canning Superbasin.

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Thank you Eric.

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