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ASX ANNOUNCEMENT (ASX: BRU)

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Operations Update

Buru Energy Limited (“**Buru**” or “**Company**”) provides the following update on its current operations in the Canning Superbasin. In summary:

- Drilling operations at Valhalla-2 are now largely complete and Ensign Rig #32 is expected to be released from the well shortly. Preliminary analysis of the results of the well indicate the presence of a wet gas charged section of tight and possible conventional gas reservoirs across a Laurel Formation interval of at least 1,300m. Further appraisal operations will be required to define the potential size of the accumulation. Initial analysis supports a prospective hydrocarbon resource estimate of several TCF of gas and in excess of 50 mmbbls of condensate and natural gas liquids in the greater Valhalla area. While further work is required, the Laurel Formation appears to be an analogue of the Granite Wash tight gas play in the United States. The Granite Wash is renowned for its high flow rates from tight reservoirs and high liquids content in the gas.
- Following release from Valhalla-2, Ensign Rig #32 will be mobilised to Ungani-1 with drilling operations expected to commence in early August.¹ Ungani-1 is testing a conventional gas play with the potential to hold in excess of 200bcf of recoverable gas with significant quantities of associated liquids on a P50 basis, if hydrocarbons are present. The well will also be a further test of the unconventional Laurel Formation play, as seen in Yulleroo-2 and Valhalla-2, and a test of a large shallow oil play in the Anderson Formation.
- Century Rig #7 has been mobilised to the Pictor East-1 well site with drilling operations expected to commence in early August. Pictor East-1 is evaluating multiple target reservoirs, with the potential to hold in excess of 10 million barrels of recoverable oil on a P50 basis, if hydrocarbons are present.

¹ All operational dates in this ASX release are indicative only. Commencement and timing of drilling operations is subject to receipt of all necessary approvals, weather and operational requirements.

- Testing operations have continued at Yulleroo-2. While a stabilised clean-up flow has not yet been established, valuable additional data has been obtained. On this basis RISC has been engaged to develop a forward appraisal and conceptual development program for the Yulleroo wet gas field.
- Acquisition of the Yulleroo 3D seismic survey commenced on 17 July 2011. The results of the survey will form an integral part of defining the size of the Yulleroo field and optimising the location of appraisal and potential development wells on the field.
- Workovers at the Sundown oil field have now been completed. Initial results indicate a production increase of approximately 35% from pre-workover levels.

Valhalla-2 Preliminary Interpretation of Results

Drilling operations are now largely complete at Valhalla-2. It is expected that operations will be completed, and Ensign Rig #32 will be released from Valhalla-2, within the next 4 days.

Preliminary analysis of the results of Valhalla-2 have confirmed the presence of a number of tight and possible conventional gas reservoirs across a 1,300m 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.

A drill stem test of the Upper Laurel Clastics resulted in minor gas influxes. This is interpreted as being partly due to reservoir damage while drilling, with this section now considered a prime candidate for reservoir stimulation.

A possible new conventional play type has also been identified in the Laurel Carbonates with a number of potentially productive conventional reservoir zones being interpreted. In addition, extensive shale zones have been identified in the Upper and Lower Laurel sections and these are interpreted to be gas charged based on gas shows and gas influxes while drilling. These sections have been comprehensively sampled with rotary side wall cores to allow further detailed, specialised analysis of the potential of the Laurel Formation for unconventional gas and liquids.

Based on a preliminary analysis of a continuous gas column in excess of 1,300m the Valhalla structure can be interpreted as either a basin centred accumulation or a combination structural / stratigraphic trap against the flank of the basin. The apparent trapping configuration implies the potential for a very large accumulation, being potentially continuous for at least 16 kilometres along the Valhalla structural nose with significant lateral extent. An accumulation of this size could potentially yield recoverable hydrocarbons of several TCF of gas and potentially in excess of 50mmbbls of condensate and natural gas liquids could be present in the greater Valhalla area.

Further appraisal work is required to further quantify the potential of the Valhalla accumulation. However, the Laurel Formation appears to be an analogue of the Granite Wash tight gas play in the United States. The Granite Wash is renowned for its high flow rates from tight reservoirs and high liquids content in the gas.

Buru and MC each have a 50% interest in this well and in EP 391, with MC contributing 80% of the cost of the well under the terms of its farm-in agreement with Buru.

Pictor East-1 Exploration Well

On ground preparations for the drilling of Pictor East-1 have been completed and all necessary regulatory and Traditional Owner approvals have been received. Century Rig #7 has now been mobilised to the Pictor East-1 well site. Drilling operations are expected to commence at Pictor East-1 in early August.

Pictor East-1 is testing a series of reservoirs which are considered prospective for oil. The Nita Formation reservoir successfully tested oil and gas in the Pictor-1 well, drilled by BHP in 1984. The well will also test the deeper Acacia Formation reservoir, which is considered prospective for oil. The target reservoirs have the potential to hold up to 10 million barrels of recoverable oil on a P50 basis, if hydrocarbons are present.

An oil discovery at Pictor East-1 would be able to be quickly brought into production with robust economics, initially through trucking to Perth. Success in either the Nita or Acacia Formation reservoirs would open up a wide range of additional prospects. In particular, success in the Acacia Formation would validate the prospectivity of the very extensive Acacia play in the southern part of Buru's Canning Superbasin acreage.

Pictor East-1 is located in exploration permit EP 431. Buru and MC each have a 50% interest in this well and in EP 431, with MC contributing 80% of the cost of the well under the terms of its farm-in agreement with Buru.

Yulleroo-2 Clean-up Flow Test and Appraisal Program

The previously announced installation of 2 $\frac{3}{8}$ inch tubing in the Yulleroo-2 well has now been completed. This tubing size provides increased lift efficiency in the well, assisting in the ongoing clean-up process. As part of the clean-up process a nitrogen lifting operation was undertaken to assist with removing stimulation fluid from the well.

The well has continued to flow back stimulation fluid together with gas and condensate. However, a stabilised flow rate has not yet been established. A mechanical plunger will now be installed to further assist with removing stimulation fluid from the well and facilitating a clean-up flow.

Further analysis of the Yulleroo-2 reservoir stimulation operation and the subsequent well performance by both RISC and the other parties involved in the project has indicated that the results observed to date are what could be expected from the existing well completion and the limited stimulation program that has been undertaken.

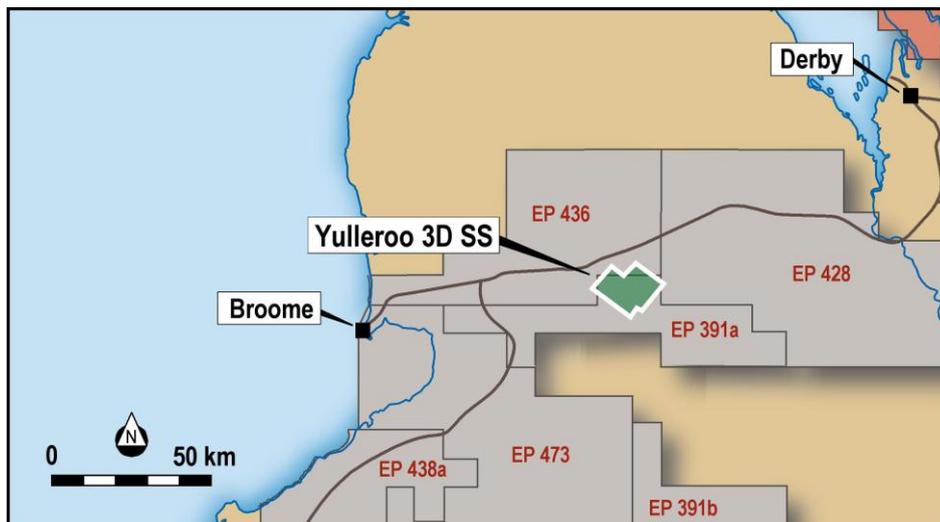
RISC have also indicated that in their opinion the results from Yulleroo-2 to date have removed a number of the uncertainties regarding the quantification of the resources in the field and that further flow testing and fluid recovery is not a critical part of the ongoing development of the Yulleroo field.

RISC, who performed the independent resource classification of the Yulleroo field, have now been engaged to prepare an appraisal and conceptual development program for the field. Further details of the proposed appraisal and development program will be made available once they are finalised. However, based on work undertaken to date, it appears that the appraisal program will need to include the completion and interpretation of the Yulleroo 3D seismic survey, further appraisal drilling and hydraulic stimulation of wells. These operations are expected to have a reasonable chance of providing sufficient data to allow finalisation of the field development plan.

Yulleroo-2 is located in EP 391. Buru and MC each have a 50% interest in this well and in EP 391. The flow test of the Yulleroo-2 well is an appraisal activity with each of Buru and MC paying 50% of the costs.

Yulleroo 3D Seismic Survey

Acquisition of the Yulleroo 3D seismic survey commenced on 17 July 2011. The survey consists of approximately 185 square kilometres of new 3D seismic over the Yulleroo field, as shown on the map below.



The survey is designed to define the detailed structural configuration of the Yulleroo structure. This will assist in both optimally locating future appraisal and development wells and quantifying the total hydrocarbon volumes in the accumulation.

The Yulleroo 3D seismic survey is being acquired by Terrex Seismic, who successfully acquired the Yulleroo and Pijalinga 2D seismic surveys for Buru in 2010 and the Bunda 3D seismic survey for Buru in 2009.

The survey is being conducted across EP 391, EP 428 and EP 436. Buru and MC each have a 50% interest in EP 391, EP 428 and EP 436 with MC contributing 80% of the cost of the survey under the terms of its farm-in agreement with Buru.

Sundown Oilfield Workovers

Buru's Fairway Rig has now completed the previously announced Sundown oil field workover program. The workover program consisted of recompletions of the Sundown-2 and Sundown-4 wells, located in Buru's wholly owned production permit L8. The workovers were completed with no safety or environmental incidents.

Production from these wells has been recommenced with ongoing testing being undertaken to determine the optimum production configuration. Based on the analysis of production to date it appears the workovers were successful, with total production from the Sundown oil field increasing by approximately 35% in comparison to pre-workover levels.

For inquiries please contact:

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