

Quarter Ended 31 March 2014

The Directors of Buru are pleased to present this report for the quarter ended 31 March 2014. Following the change last year of our financial year end from 30 June to 31 December, this is the first Quarterly Report for this year.

Overview

The key operational activities during the quarter were:

- Production of oil from the Ungani Central Field Extended Production Test (**EPT**) totalled 48,400 barrels for the March quarter. Testing of the Ungani 2 well has been constrained to an average rate of 1,200 bopd to evaluate reservoir connectivity, pressure support and productivity indices. The testing program included multi rate tests which achieved rates in excess of 1,600 bopd during the short duration test programs. The production test results in the Ungani Central Field area from Ungani 2 have exceeded technical predictions with no water cut and negligible pressure decline observed to date.
- During the quarter, the first load out of Ungani crude oil from the Port of Wyndham was made. Two crude export shipments have now been made from Wyndham totalling 71,270 barrels. The first two cargoes were sold to a refinery in Thailand and the third 38,000bbl shipment will be delivered to a Singapore refinery, which reduces shipping distances and turnaround time. Ungani crude is being well received in the Asian markets ahead of the planned field development later in 2014.
- The Ungani 1 well was brought on production during the quarter to clean the well up after the workover conducted in late 2013. The well has produced at rates of up to 1,000 barrels of fluid per day but the production results indicate that the workover has not completely isolated the deeper water zone as planned, and further work will be required to isolate the deeper zone, as was successfully undertaken in Ungani 2.
- The Ungani 3 appraisal well was drilled during the quarter some 700 metres to the east of the currently producing wells, to appraise the eastern structural lobe of the Central Field. The well encountered an oil saturated Ungani Dolomite section but unfortunately the reservoir quality appears poor, without the highly developed vugular porosity seen in the other two wells in the field. Preparations are currently underway to test the production potential of the well.
- A dramatic improvement in the seismic data quality of the 2013 Ungani 3D survey was achieved during the quarter from a trial by a specialist processing centre in the US, and as a result, the entire 3D data suite over the Ungani Central Field will now be reprocessed to better define the structure and stratigraphy within the Ungani Field. The full set of reprocessed data is expected to be received in early May.

- During the quarter the Coastal Area Joint Venture (Apache, Buru & Mitsubishi) agreed to the drilling of two exploration targets, Olympus and Commodore, with potential resources ranging from 5 to in excess of 30 million barrels of oil if hydrocarbons are present. These wells are scheduled for third quarter drilling.
- The combined outcomes of the unexpected Ungani 3 result necessitating a re-evaluation of the Ungani reservoir distribution, the dramatic improvement in data quality from the reprocessing of the Ungani 3D (necessitating a complete reprocessing of the data set ahead of any further drilling), together with the better than expected performance of Ungani 2 in the Ungani Central Field, and the decision to acquire large scale 3D seismic surveys along trend from the Ungani Central Field, led to a financially and operationally prudent decision to demobilise the Crusader 405 rig.
- Significant progress was made on the 2014 Laurel tight gas testing preparations and approvals in the March quarter. The operations plan was submitted to the DMP for approval and the Environmental Management Plan was reviewed by the DMP and the EPA and deemed not to need independent review by the EPA due to the low impact and limited scope of work. This decision received 81 public submissions and the Company responded to all appeals in detail to the Appeals Convener. During the quarter the Company also undertook extensive community consultation and supported the Traditional Owners in access to independent experts to review the proposed program. Based on discussions to date the Company expects to receive formal regulatory approval in the second quarter and commence operations in the third quarter.

Financial

The ASX Appendix 5B attached to this report contains the Company's cash flow statement for the first quarter of 2014. The material elements of the cash flow in the period were:

- Exploration expenditure of \$2.7 million for the quarter, comprising rig mobilisation costs, completion of the Frome Rocks 2D seismic survey, and review and preparation activity for the TGS14 and exploration programs. Exploration expenditure for the quarter was offset by the receipt of a Research and Development tax rebate of \$3.5 million.
- Ungani Development expenditure of \$9.0 million, the majority of which were costs associated with the drilling of the Ungani 3 well.
- Ungani production operating expenditure of \$2.1 million. Cash inflows from sales of Ungani crude during the quarter were \$1.6 million, with approximately 35,000 bbls held in inventory on behalf of the Joint Venture at 31 March 2014, with an anticipated sales value of some \$3.8 million. This parcel of crude was subsequently lifted from Wyndham Port on 9 April. Production during the quarter was reduced by periods of shut-in during the wet season due to road closures.
- Administration and corporate costs of \$3.2 million, consistent with prior periods.

The Company recorded a net cash outflow of \$15.5 million for the quarter and at the end of the quarter had net cash reserves of \$44.7 million.

The Company is forecasting a net cash outflow of some \$4.5 million in the June 2014 quarter, as follows:

- **Exploration** – \$4.5 million of exploration costs are estimated to be payable in the June 2014 quarter, including costs to demob the Crusader 405 rig and costs related to the 2014 seismic programme.
- **Development** - \$0.5 million is estimated to be payable in the June 2014 quarter, being Buru's share of costs associated with preparations for the full field development decision.

- **Production** - \$2.5 million of production costs are estimated to be payable in the June 2014 quarter, being Buru's share of the operating costs for the Ungani EPT. Net cash inflows to Buru from sales are estimated at \$6.0 million during the quarter.
- **Administration and Corporate** – \$3.0 million in administration and corporate costs are estimated to be payable in the June 2014 quarter.

Production and Development

Ungani Production

Despite heavy seasonal rainfall in the Ungani area during the wet season, the EPT continued to perform well with 48,400 barrels of oil produced during the quarter. As planned, there were periods during which the wet weather necessitated the closure of roads for safety and operational reasons and these closures restricted production during January and February. However, rainfall was significantly lower in March, leading to good access track availability.

Four road trains are currently transporting crude from Ungani to Wyndham with production averaging 1,200 bopd with no water cut, and no evident pressure depletion. The reservoir performance is significantly exceeding modelled technical expectations. A fifth road train commenced operation in April which will further increase the transport capacity to Wyndham Port, with oil sales only constrained by vessel availability from the export route through Wyndham Port.

On 7 February, the Company announced that it had successfully completed its first load out of Ungani crude oil from the Port of Wyndham, with the shipment being sold to a refinery in Thailand. The second crude shipment of 38,000 bbls departed for Thailand on 9 April. The first two cargoes have been sold into Thailand due to its readiness to accept the relatively small vessel and crude shipment size. Terms for the third shipment to be sold into Singapore have now been concluded. Sales to Singaporean refineries will reduce the vessel round trip time to 20 days with associated cost and efficiency gains.

During the quarter, production testing continued on the Ungani 1 well which produced oil with water at fluid rates in excess of 1,000bbls/day. The original Ungani 1 workover was a more complicated dual completion than the Ungani 2 workover, and was aimed at being able to produce from the shallower oil zone and inject any produced water into the deeper water zone. The workover did not successfully isolate the two zones and further work is required in the second quarter to separate the two zones and bring the well into test production, as successfully undertaken in Ungani 2.

Following the start-up period for the EPT, which necessitated extensive preparations and manning, a field cost optimisation review is underway to reduce fixed and variable operating costs where possible.

As a result of Ungani 2 production being in excess of modelled predictions, the requirement to reprocess the 3D seismic, the Ungani 3 interpreted tight reservoir result, and the necessity to workover and test the Ungani well, the field is being remapped and extensive technical analysis is being carried out ahead of the final development plan being agreed by the Joint Venture and submitted for approval to the DMP.

The full field development export options are currently being reviewed and while Wyndham remains a relatively short-term export solution negotiations for access to Broome Port are being progressed. A decision to commit to Broome for full field development could result in export from Broome commencing early in 2015.

Blina and Sundown Oil Fields

The Blina and Sundown oil fields remained shut-in during the quarter.

Drilling

The Crusader 405 rig was mobilised to the Ungani 3 site and the well was spudded on 14 January 2014. The Ungani 3 well is located in production application STP-PRA-0004 in exploration permit EP 391 some 100 kilometres to the east of Broome, and fifty kilometres from the Great Northern Highway along the Ungani

access road. Whilst the Ungani 3 well penetrated the top Ungani Dolomite 20m higher than Ungani 1 and intersected an oil saturated Ungani Dolomite section, the highly permeable dolomite present in the Central Field area was not penetrated at the Ungani 3 location. Post well analysis of the Ungani 3 rotary sidewall cores confirmed that the section was oil saturated, but that the vugular porosity encountered in the previous wells was not present at this location. Follow up testing will be conducted to determine the performance of the well for recovery of oil and potentially for disposal of produced water. The testing will include a multi-phase evaluation which will include an initial drawdown on the oil saturated tight reservoir interval.

Further appraisal drilling planned at the Ungani Central Field has been deferred pending the incorporation of the results of the Ungani 3 well, the production history from the EPT, and remapping of the Ungani structure utilising the final reprocessing results from the Ungani 3D seismic survey.

Exploration

The principal exploration activities during the quarter included:

- Planning, in conjunction with Joint Venture Partners, of the 2014 Appraisal and Exploration Programs.
- Progressing regulatory, Traditional Owner and joint venture approvals processes for the 2014 Appraisal and Exploration Programs.

2014 Appraisal and Exploration Programs

The Ungani 3 result highlighted the fact that advanced processing of 3D seismic data is necessary to ensure optimal well locations. The Ungani trend is highly prospective for additional oil discoveries, but additional seismic data to constrain and optimise future drilling programs is required.

Following the drilling of the Ungani 3 well, the Joint Venture is undertaking a review and ranking of the structures along the Ungani trend to highlight areas requiring additional data, and ranking these areas on the basis of drilling preparedness and structural risk. In addition, a detailed drilling cost review and contracting optimisation program to reduce well costs as much as possible is underway, taking into account the lessons from Ungani 3. Given these circumstances, a prudent operational and commercial decision was taken to release the Crusader 405 rig.

The locations for the two coastal wells funded under the Apache farmin have been selected and these wells are scheduled for the third quarter.

The Ungani North 1 test will be undertaken in conjunction with the mobilisation of equipment for the Laurel tight gas program.

A minimum of 300 sq km and up to 800 sq km of 3D seismic is being planned for the Ungani trend in 2014. A final decision on the size of the program will be made in the June quarter. In addition to the extensive 3D program, up to 1,000km of 2D seismic data will be acquired to mature leads to drillable status in support of a sustained program.

The Laurel tight gas evaluation program is progressing as planned, with field activities expected to commence in August subject to final approvals. Good progress has been made with the regulatory process and community consultation. Contracts for the program are currently being finalised to allow implementation upon receipt of all the required approvals.

Traditional Owner Relations

The negotiations for long term agreements for the Joint Venture's operations in the Canning Basin are ongoing. Due to the importance of the results of the discussions for future developments and activity, Buru is working to resolve outstanding issues to ensure that any agreements reached provide the basis for long-term alignment.

As part of the Company's community engagement and awareness program, Buru's community team continued with a program of community briefings throughout the Kimberley area providing information on the Company's 2014 Laurel tight gas stimulation program, and ensuring any concerns raised by the community are addressed. As part of Buru's commitment to transparency and operating excellence, the Company has supported indigenous groups accessing independent expert advice on any possible environmental, social and water impacts of the proposed program, to ensure that the local communities are reliably and independently informed about the merits and of the proposed 2014 Laurel tight gas stimulation program, and to demonstrate that the Company is clearly ensuring that their issues are considered and dealt with through an engagement and risk management program.

Corporate

To ensure that maximum shareholder value is realised from Buru's extensive suite of oil, exploration and gas assets through a sustainable and focused exploration, appraisal and development program, the Company, in co-operation with Mitsubishi, is reviewing the potential of introducing a strategic partner at the asset level to support a major and sustainable exploration, appraisal and development program in the Canning. The process involves extensive preparation, analyses and the use of independent advisors to ensure that Buru is well positioned to attract quality companies, and deliver a material forward program aligned with delivering value outcomes for shareholders. As part of the evaluation process, careful consideration is being given to the impact of any transaction on future activity, funding requirements, Traditional Owner engagement and the overall development of the Canning Basin. J.P. Morgan and Highbury Partnership are supporting the Company during this review.

Resignation of Non-Executive Director

During the quarter, Non-executive Director Mr Austin Miller resigned from the Buru Board, for personal reasons. Subsequent to Mr Miller's resignation, the Board now consists of Mr Graham Riley (Non-executive Chairman), the Hon Peter Jones, Mr Eric Streitberg (Non-executive Directors) and Dr Keiran Wulff (Managing Director). It is expected that an additional Director will be appointed to the Board during the second half of the calendar year.

Managing Director's Comments

"The March quarter has been a challenging period for Buru and its shareholders. The commencement of test production and subsequent excellent performance from the extended production test at Ungani 2, which is performing well above expectations, the significant progress on the 2014 Laurel tight gas program preparation and approvals, the commencement of crude export and the delineation of new prospectivity from the 2013 2D Frome Rocks survey set the foundation for a positive quarter and year ahead. This was disappointingly offset in the short term by the Ungani 3 appraisal well resulting in the need to reinterpret the Ungani field area with the reprocessed 3D seismic data. When combined with the coincident decision to acquire a substantial 3D and 2D seismic program, and the need to obtain Joint Venture alignment on the forward program, a financially and operationally prudent decision was made to demobilise the Crusader 405 rig.

The 2014 exploration program will now focus on delivering the two coastal exploration wells, a major 2D and 3D seismic program to support a significant 2015 drilling program, and the implementation of the critical Laurel tight gas evaluation program. Whilst the Ungani 3 result and its impact was disappointing, the potential of our assets and forward program are very substantial and we remain committed to delivering material and sustainable long term growth for our shareholders".

Dr Keiran Wulff
Managing Director

Schedule of interests in permits as at 31 March 2013

PERMIT	TYPE	OWNERSHIP	OPERATOR	LOCATION
L6	Production license	100.00%	Buru Energy Ltd	Canning Basin, WA
L8	Production license	100.00%	Buru Energy Ltd	Canning Basin, WA
L17	Production license	100.00%	Buru Energy Ltd	Canning Basin, WA
EP129	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP371	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP390	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP391	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP428	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP431	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP436	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP438	Exploration permit	62.50%	Buru Energy Ltd	Canning Basin, WA
EP457	Exploration permit	37.50%	Buru Fitzroy Pty Ltd	Canning Basin, WA
EP458	Exploration permit	37.50%	Buru Fitzroy Pty Ltd	Canning Basin, WA
EP471	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP472	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP473	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP474	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP476	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP477	Exploration permit	50.00%	Buru Energy (Acacia) Pty Ltd	Canning Basin, WA
EP478	Exploration permit	50.00%	Buru Energy (Acacia) Pty Ltd	Canning Basin, WA
PL7	Onshore pipeline license	100.00%	Buru Energy Ltd	Canning Basin, WA

Glossary

2D	Two Dimensional
3D	Three Dimensional
AES	Advanced Energy Services
BCGS	Basin Centred Gas System
Bopd	Barrels of oil per day
Buru or the Company	Buru Energy Limited (ASX code: BRU)
DMP	Western Australian Department of Mines and Petroleum
EPT	Extended production test
FID	Final Investment Decision
Mitsubishi or MC	Mitsubishi Corporation

Competent Persons Statement

Information in this release related to exploration and production results and petroleum resources is based on information compiled by Eric Streitberg who is a Director employee of Buru Energy Limited. Mr Streitberg is a Fellow of the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors, and a member and Certified Petroleum Geologist of the American Association of Petroleum Geologists. He has over 38 years of relevant experience. Mr Streitberg consents to the inclusion of the information in this report.

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 1/6/10, 17/12/10, 1/5/13

Name of entity

BURU ENERGY LIMITED

ABN

71 130 651 437

Quarter ended ("current quarter")

31 March 2014

Consolidated statement of cash flows

	Current quarter \$A ('000)	Year to date \$A ('000)
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	2,060	2,060
1.2 Payments for (a) exploration & evaluation	(2,742)	(2,742)
(b) development	(8,978)	(8,978)
(c) production	(2,142)	(2,142)
(d) administration	(3,244)	(3,244)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	423	423
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Payments for restoration to existing producing assets	-	-
Net operating cash flows	(14,623)	(14,623)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) fixed assets	(857)	(857)
1.9 Proceeds from sale of:		
(a) fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Transfer of Cash Held in Escrow	-	-
Net investing cash flows	(857)	(857)
1.13 Total operating and investing cash flows (carried forward)	(15,480)	(15,480)

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(15,480)	(15,480)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
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	-	-
Net financing cash flows		-	-
Net increase (decrease) in cash held		(15,480)	(15,480)
1.20	Cash at beginning of quarter/year to date	60,251	60,251
1.21	Exchange rate adjustments to item 1.20	(49)	(49)
Cash at end of quarter		44,722	44,722

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	486,873
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>In August 2013, Buru Energy Ltd (“Buru”) and Alcoa of Australia Ltd (“Alcoa”) entered into an agreement for up to \$20,000,000 of the escrowed funds to be applied to fund the next phase of the appraisal program for the Laurel wet gas accumulation. The balance will be retained in the escrow account. As part of this agreement, Alcoa has the right to extend the gas sales contract final investment decision (FID) date on an annual basis until 1 January 2018. If a FID is not reached by 1 January 2018, Buru will be obliged to repay the \$40,000,000 gas prepayment in three tranches on 31 December 2018, 31 December 2019 and 31 December 2020 respectively. The cash balance in escrow has received interest of \$6,083,450, taking the total escrowed cash balance to \$26,083,450. This is not included in the cash balance at the end of the quarter.</p>	

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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
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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 ('000)
4.1	Exploration and evaluation	4,500
4.2	Development	500
4.3	Production (net of cash inflows)	(3,500)
4.4	Administration	3,000
	Total	4,500

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 ('000)	Previous quarter \$A ('000)
5.1	Cash on hand and at bank	10,656	10,411
5.2	Deposits at call	34,066	49,840
5.3	Bank overdraft	-	-
	Total: cash at end of quarter	44,722	60,251

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	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	L15 R1	Buru assigned interest to Gulliver Productions Pty Ltd and Indigo Oil Pty Ltd on 24 February 2014. Buru assigned interest to Gulliver Productions Pty Ltd and Indigo Oil Pty Ltd on 24 February 2014.	15.50% 43.28%	Nil Nil
6.2	Interests in mining tenements acquired or increased	EP438	Buru acquired interest from Gulliver Productions Pty Ltd and Indigo Oil Pty Ltd on 24 February 2014.	37.50%	62.50%

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)	Amount paid up per security (see note 3)
7.1	Preference +securities <i>(description)</i>	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	298,505,530	298,505,530	N/A
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	- -	- -	- -
7.5	+Convertible debt securities <i>(description)</i>	N/A	N/A	N/A
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -	- -
7.7	Options (description and conversion factor)	1,339,800	-	Exercise price \$4.04
7.8	Issued during quarter	-	-	Expiry date 31 Dec 2014
7.9	Exercised during quarter	-	-	-
7.10	Expired during quarter	-	-	-
7.11	Debentures (totals only)	N/A	N/A	-
7.12	Unsecured notes (totals only)	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 5).
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: Date: 30 April 2014
Chris Bath
Chief Financial Officer and Company Secretary

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 and petroleum 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 or petroleum 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 are 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* applies 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.