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## **ASX ANNOUNCEMENT (ASX: BRU)      29 April 2010**

### **Quarterly Activities Report & Quarterly Cash Flow Report**

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Please find attached Buru Energy Limited's quarterly activities report and the quarterly cash flow report (Appendix 5B) for the three months ending 31 March 2010.

Further information on the company is available on the Buru website at:  
[www.buruenergy.com](http://www.buruenergy.com)

**For inquiries please contact:**

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Yours faithfully

A handwritten signature in black ink, appearing to read "Eric Streitberg", written over a faint, larger version of the same signature.

**Eric Streitberg**  
**Executive Director**

# Quarterly Report

Quarter Ended:  
31 March 2010



## Introduction

The directors of Buru are pleased to present this report for the quarter ended 31 March 2010.

## Overview

The key operational activities for the quarter were:

- the completion of the interpretation of the Bunda 3D and Paradise 2D seismic surveys acquired in August and September 2009;
- the assessment of a number of high graded prospects as final candidates for a drilling campaign of up to six wells during the 2010 field season;
- increased activity on the assessment of the shale gas and tight gas potential of the Company's permits;
- progressing with the regulatory and Traditional Owner approvals process for the most likely candidates for drilling in the 2010 field season;
- continuing with the refurbishment of the Company's Fairway Rig for use in the 2010 drilling campaign; and
- finalising arrangements with the joint venture parties in EP 438 and EP 448 resulting in a further strategic rationalisation of the Company's Canning Basin permit interests.

Subsequent to the end of the quarter the Company has confirmed locations for the first three wells to be drilled in the 2010 field season. Drilling is expected to commence in mid-May 2010. Work also commenced subsequent to the end of the quarter on preparing drill sites and access roads for the initial wells in the Company's 2010 drilling campaign.

## Financial

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

- exploration expenditure of \$792,412 for the quarter, which includes the costs of finalising the interpretation of the data received from the Bunda 3D and Paradise 2D seismic surveys, the assessment of prospects as candidates for drilling in the 2010 field season and the ongoing assessment of the shale and tight gas potential of the Company's permits;
- expenditure for the purchase of fixed assets of \$668,612 for the quarter, mainly relating to the refurbishment of the Fairway Rig and purchase of associated equipment;
- interest income of \$288,399 was received in the quarter on the maturation of a number of the Company's long term cash deposits;
- oil production from the Blina and Sundown oil fields produced an operating surplus of \$44,396 for the quarter, substantially below the previous period (December 2009: \$272,774) as a result of the fields being shut-in due to weather, and mechanical problems with the Sundown-4 well; and

- administration and other operating costs of \$746,277, substantially higher than the previous quarter (December 2009: \$453,021), which include a number of one-off costs but also reflect a gradual increase in overhead costs as the Company puts in place the organisational structures to effectively conduct the 2010 seismic and drilling campaigns.

The Company recorded a net cash outflow of \$1.9 million (before exchange rate adjustments) for the quarter, broadly in line with the previous quarter (December 2009: \$1.7 million) and consistent with the Company's preparations for the 2010 field season.

At the end of the quarter the Company had net cash reserves of \$43.9 million available for exploration and development of the Canning Basin (December 2009: \$45.8 million).

## Production and Development

Sales from the Company's Blina and Sundown oil fields, in the L6 and L8 production licences, averaged approximately 68 bopd for the quarter. Sales during the quarter fell below the previous quarter (December 2009: approximately 80 bopd) as a result of intermittent shut-ins to the fields and other disruptions to production caused by the wet season. In addition, a mechanical failure at the Sundown-4 well in late February resulted in that well being shut-in for approximately one month, with a loss of approximately 30 bopd of production for that period. This mechanical failure has now been rectified and production subsequent to the end of the quarter is averaging approximately 80 bopd, consistent with the previous quarter.

Production from the Sundown and Blina oil fields continues to undergo natural decline. The Company is developing plans to increase production through the conduct of a targeted workover and production optimisation plan. The timing of workovers will depend on the availability of equipment. Under current planning the Fairway Rig will be fully utilised during the 2010 field season drilling up to six wells in the Company's 2010 drilling campaign. Accordingly, any workovers which require the use of the Fairway Rig are likely to be deferred until the completion of the 2010 drilling campaign.

Oil production generated cash receipts during the quarter of \$555,959 (December 2009: \$662,345). The decline in cash generated by the Blina and Sundown oil fields is a direct result of the reduced production during the quarter, with the realised price per barrel being unchanged from the previous quarter. The fields produced a net cash inflow of \$44,396 for the quarter (September 2009: \$54,316; December 2009: \$272,774). The fields remain profitable and continue to provide a material offset to Buru's ongoing administration costs on an annualised basis.

## Exploration

The Company's exploration activities during the quarter focused on:

- the completion of the interpretation of the Bunda 3D and Paradise 2D seismic surveys acquired in August and September 2009;
- the assessment of a number of high graded prospects as final candidates for a drilling campaign of up to six wells to be undertaken in the 2010 field season; and
- increased activity on the assessment of the shale gas and tight gas potential of the Company's permits.

During the quarter the Company completed its review of candidates for drilling during the 2010 field season and commenced detailed evaluation of each of these prospects. This process incorporated the results of the interpretation of the Bunda 3D and Paradise 2D seismic surveys, the interpretation of which was completed during the quarter. Data quality from each of these surveys was excellent.

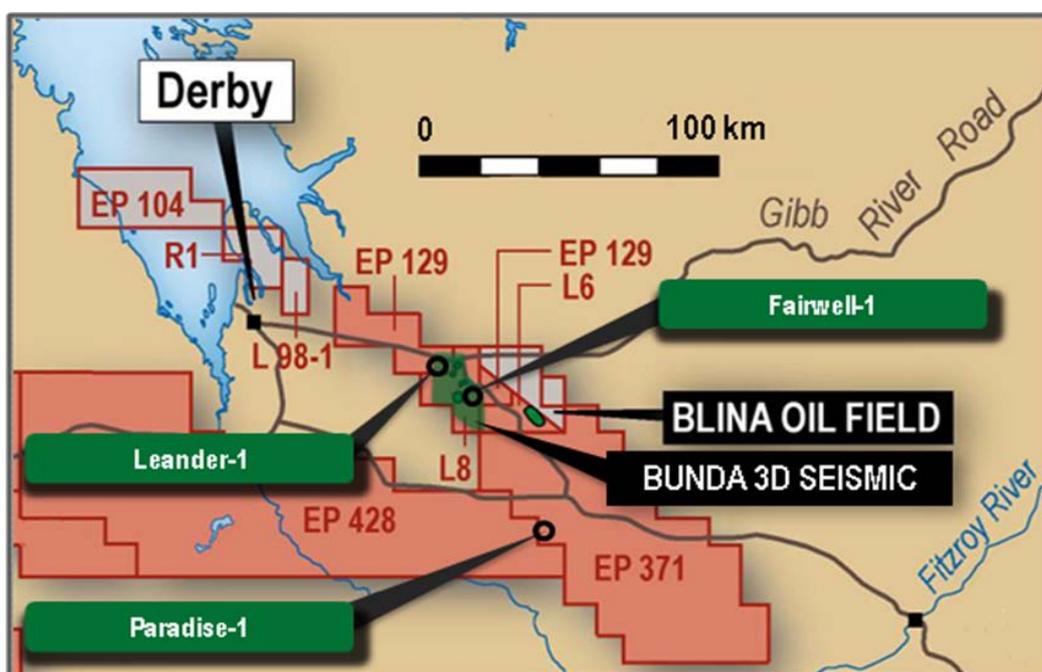
Interpretation of the Bunda 3D data identified a number of attractive drilling candidates for further assessment and provided considerable insight into the hydrocarbon habitat of the area including the identification of a number of new play concepts, some of which are being considered for drilling in the 2010 drilling campaign. Interpretation of the Paradise 2D data helped to delineate the Paradise structure and formed a crucial part of the assessment of that prospect for drilling.

The purpose of the 2010 drilling campaign is to test a variety of prospects covering the major hydrocarbon provinces in the Company's Canning Basin acreage in areas that have proven hydrocarbon systems, are technically robust and which have the potential for early monetisation. Prospects outside the Bunda 3D area must also have significant follow-up potential such that a discovery can form the basis of a major hydrocarbon province.

Subsequent to the end of the quarter the Company announced that it had confirmed the first three wells for drilling in the 2010 drilling campaign, being:

- Fairwell-1;
- Leander-1; and
- Paradise-1.

Fairwell-1 and Leander-1 are targeting similar prospects to the producing fields in the Blina and Sundown oil field area. These wells are being drilled in the area covered by the Bunda 3D seismic survey. Paradise-1 is targeting a large structure with the potential to hold significant volumes of oil, gas and condensate. This well will also provide significant information on the emerging shale and tight gas plays in the Canning Basin. The indicative location of these wells is indicated in the following map.



Fairwell-1 will be drilled first, followed by Leander-1 and Paradise-1. Buru is continuing its technical assessment of additional prospects to identify up to three additional wells for drilling in the 2010 drilling season.

During the quarter the Company also accelerated its evaluation of the shale gas potential of its permits. There are several thick, widespread, mature, organic rich shales present on Buru's permits including the Lower Anderson, Laurel, Gogo and Goldwyer Formations. An initial analysis has been undertaken of these shales in the Company's permits including additional sample and core analysis. This analysis is encouraging and work has also been undertaken to identify the most prospective intervals for coring, and plans to take cores from at least two wells have been incorporated into the Company's 2010 drilling campaign. Acquiring fresh core material is an essential component of evaluating shale gas plays and these will be the first cores in the Canning Basin acquired specifically for shale gas evaluation.

## Drilling

During the quarter the Company continued its operational preparations for the 2010 drilling campaign based on a program of up to six wells. The main activities undertaken in the quarter were:

- progressing with the regulatory and Traditional Owner approvals process for the most likely candidates for drilling in the 2010 field season; and
- continuing with the refurbishment of the Company's Fairway Rig for use in the 2010 drilling campaign.

Subsequent to the end of the quarter the refurbishment of the Fairway Rig has been substantially completed and the Company has commenced well specific on-ground preparations for the 2010 drilling campaign. This includes preparation of drill sites and access roads for the Fairwell-1, Leander-1 and Paradise-1 wells.

### Approvals Process

During the quarter the Company commenced the approval processes required for the Company's 2010 drilling campaign. Detailed operational, environmental and health and safety management plans have been lodged with the DMP for approval. In addition, drilling programs for the Fairwell-1, Leander-1 and Paradise-1 well programs were prepared and lodged with the DMP for approval. The DMP is well advanced in its review of these materials. It is anticipated that all approvals required for the drilling of the Fairwell-1, Leander-1 and Paradise-1 wells will be received well in advance of the proposed commencement of drilling of the first well.

The Company also progressed negotiations with the Traditional Owners on whose lands the 2010 drilling campaign is likely to be conducted. During the quarter Traditional Owner approval was received for Fairwell-1, Leander-1 and Paradise-1. Discussions are continuing with Traditional Owners in respect of the most likely additional wells to be drilled in the 2010 drilling season.

### Refurbishment of the Fairway Drilling Rig

The Company continued the refurbishment of the Fairway Rig during the quarter. The refurbishment will allow the Fairway Rig to drill to a depth of 2,500m, sufficient depth for each of the confirmed and proposed wells in the 2010 drilling campaign. By using a rig under its own control for the 2010 drilling campaign Buru has a high degree of operational flexibility which allows the Company to tailor the drilling campaign to meet its operational and commercial drivers and modify that campaign as required to meet changing circumstances, for example the ability to drill immediate follow-up wells in the case of a discovery (if warranted).

The Fairway Rig is being refurbished in Geraldton in the mid-west of Western Australia. At the end of the quarter the refurbishment process was largely complete. It is expected that the refurbishment will be complete, and a final independent safety and operational inspection undertaken, in early May 2010 immediately following which the Fairway Rig will be mobilised to the Canning Basin. Drilling is then expected to commence in mid-May 2010.

## Corporate

### Further Rationalisation of Canning Basin Acreage

The Company has been undertaking an ongoing process of rationalising its permit holdings in the Canning Basin to ensure that the Company's acreage covers only the most highly prospective parts of the Basin and that the Company's future work commitments are sustainable from its existing and planned future resources. During the quarter the Company finalised a further step in this rationalisation process by entering into two transactions with Empire Oil, Indigo Oil and United Orogen. As a result of these transactions the Company has:

- relinquished its 5% interest in EP448 and been relieved of a \$3.0 million farm-in commitment on that permit; and
- will earn an additional 70% in EP 438 by funding a well in that permit up to a maximum of \$3.0 million, resulting in the Company having an interest of 75% in EP438.

## Unmarketable Parcel Sale Facility

The Company finalised its unmarketable parcel sale facility during the quarter. This facility enabled shareholders who held less than \$500 worth of Buru shares to sell their shares without incurring brokerage or other transaction costs. 3,315 small Buru shareholders holding a total of 3,530,682 shares took advantage of this facility to sell their shares at a price of approximately \$0.24 per share. Prior to the facility, Buru had approximately 10,000 share holders. A reduction of 3,315 will reduce the ongoing costs associated with administering such an extensive shareholder base.

## Executive Director's Comments

*"The Company's focus throughout the quarter has been on preparing for the 2010 drilling campaign. The hard work in this quarter is reflected in the announcement shortly after the end of the quarter of the first three confirmed wells in the 2010 drilling campaign."*

*Preparations for the 2010 drilling campaign are now largely complete. Corporately, we have developed the internal structures and people to manage the complex job of drilling six wells with our own rig. Operationally, our Operations Manager and Drilling Manager have supervised the successful refurbishment of the Fairway Rig and developed and put in place the operational and safety systems needed to safely and cost effectively undertake the 2010 drilling campaign.*

*Most importantly, the Buru technical team has undertaken a technical prospect review process of the highest standard. This has resulted in the confirmation of the Fairwell-1, Leander-1 and Paradise-1 wells as the initial candidates for the 2010 drilling campaign. Each of these wells is testing a technically robust prospect with the potential to provide material upside to the Company. We are continuing to work internally to identify additional high quality prospects for drilling in the 2010 drilling season.*

*The next step in the process is to actually start drilling, which we currently plan to do in mid-May 2010. As we get closer to the commencement of drilling we will provide further details of the initial wells in the drilling campaign and details of the additional wells in the 2010 drilling campaign as they are finalised."*

Eric Streitberg  
Executive Director

## Glossary

Buru or the Company	Buru Energy Limited (ASX code: BRU)
2D	Two dimensional seismic survey
3D	Three dimensional seismic survey
bopd	Barrels of oil per day
DMP	Western Australian Department of Mines and Petroleum
Empire Oil	Empire Oil and Gas NL (ASX code: EGO)
Indigo Oil	Indigo Oil Pty Ltd
United Orogen	United Orogen Limited (ASX Code: UOG)

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# Appendix 5B

## Mining exploration entity quarterly report

Name of entity

**BURU ENERGY LIMITED**

ABN

**71 130 651 437**

Quarter ended

**31 March 2010**

### Consolidated statement of cash flows

	Current quarter \$A	Year to date (9 months) \$A
<b>Cash flows related to operating activities</b>		
1.1 Receipts from:		
(a) product sales and related debtors	555,959	2,414,172
(b) other income	24,486	62,314
1.2 Payments for:		
(a) exploration and evaluation	(792,412)	(11,494,317)
(b) development	-	-
(c) production	(511,563)	(2,042,686)
(d) administration	(746,277)	(2,393,050)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	288,399	831,612
1.5 Interest and other costs of finance paid	(225)	(1,481)
1.6 Income taxes paid	-	-
1.7 Payments for restoration to existing producing assets	-	(58,765)
<b>Net operating cash flows</b>	<b>(1,181,633)</b>	<b>(12,682,201)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) fixed assets	(688,612)	(1,342,609)
1.9 Proceeds from sale of:		
(a) fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid from other entities	-	-
1.12 Other	-	-
<b>Net investing cash flows</b>	<b>(688,612)</b>	<b>(1,342,609)</b>
1.13 Total operating and investing cash flows	<b>(1,870,245)</b>	<b>(14,024,810)</b>
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from issues of ordinary shares, options, etc	80	609,580
1.15 Proceeds from issue of preference 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	-	(500,000)
<b>Net financing cash flows</b>	<b>80</b>	<b>109,580</b>

**Appendix 5B**  
**Mining exploration entity quarterly report**

	<b>Net increase (decrease) in cash held</b>	<b>(1,870,165)</b>	<b>(13,915,230)</b>
1.20	Cash at beginning of quarter/year to date	66,806,715	79,001,944
1.21	Exchange rate adjustments to item 1.20	(44,868)	(195,032)
	<b>Cash at end of quarter including cash held in escrow</b>	<b>64,891,682</b>	<b>64,891,682</b>
	Less cash held in escrow	(21,037,661)	(21,037,661)
1.22	<b>Cash at end of quarter</b>	<b>43,854,021</b>	<b>43,854,021</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		<b>Current quarter \$A</b>
1.23	Aggregate amount of payments to the parties included in item 1.2	228,486
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	

## 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

Buru Energy and Alcoa have agreed to escrow \$20,000,000 and interest thereon in partial satisfaction of Buru Energy's obligations to repay a \$40,000,000 gas prepayment made by Alcoa to ARC Energy Limited prior to the demerger of Buru Energy. These financial obligations crystallise if Buru Energy does not deliver gas under the gas sales agreement between Alcoa and Buru Energy from gas supplied from the Canning Basin or elsewhere, with repayment obligations being in three equal annual installments commencing in 2013. This cash balance in escrow has received interest totalling \$1,037,661 taking the total escrowed cash balance to \$21,037,661.

- 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

## 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
4.1 Exploration and evaluation	5,750,000
4.2 Development	-
<b>Total</b>	5,750,000

## 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	Previous quarter \$A
5.1 Cash on hand and at bank	2,836,096	3,265,938
5.2 Deposits at call	41,000,000	42,500,000
5.3 Bank overdraft	-	-
5.4 Other (Share of joint venture cash)	17,925	3,116
<b>Total: cash at end of quarter (item 1.22)</b>	<b>43,854,021</b>	<b>45,769,054</b>
Cash held in escrow	21,037,661	21,037,661
<b>Total: cash at end of quarter including cash held in escrow</b>	<b>64,891,682</b>	<b>66,806,715</b>

**Changes in interests in mining tenements**

	Tenement reference	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	EP448 Detailed in ASX announcement on 15 January 2010	5.00%	Nil
6.2	Interests in mining tenements acquired or increased	N/A		

**Appendix 5B**  
**Mining exploration entity quarterly report**

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.*

	<b>Total number</b>	<b>Number quoted</b>	<b>Issue price per security</b>	<b>Amount paid up per security</b>
7.1 <b>+Preference securities</b> <i>(description)</i>	N/A	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 <b>+Ordinary securities</b>	182,769,813	182,769,813	N/A	N/A
7.4 Changes during quarter				
(a) Increases				
Issued shares	-	-	-	-
Options exercised	85	85	94c	94c
(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 <b>+Convertible debt securities</b>	N/A	N/A	N/A	N/A
7.6 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through securities matured, converted	-	-	-	-
7.7 <b>Options</b>			<i>Exercise price</i>	<i>Expiry date</i>
	55,176,890	55,176,890	\$0.94	10 Oct 2010
	5,000,000	-	\$0.25	31 Dec 2011
	10,241,000	-	\$0.30	31 Dec 2011
	<u>5,000,000</u>	<u>-</u>	\$0.35	31 Dec 2011
	75,517,890	55,176,890		
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	85	85	\$0.94	-
7.10 Forfeited during quarter	(79,000)	-	-	-
7.11 <b>Debentures (totals only)</b>	N/A	N/A		
7.12 <b>Unsecured notes (totals only)</b>	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 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: .....  
Print name: **ERIC STREITBERG**  
(Executive Director)

Date: 29 April 2010

**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 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, 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 is 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: Cash Flow Statements* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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.

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