

26 Mar 2018

BURU ENERGY LTD (BRU)

A Drop in the Ocean

Buru Energy Ltd ('BRU' or 'the Company') has been impacted by one of the wettest February's on record, which resulted in the temporary closure of the Great Northern Highway, the export route for Ungani crude. While this disturbance is disappointing, and will result in reduced revenue in early 2018, it does not alter the investment story for BRU. It is still expected in 2Q18 that Ungani 4 and 5 will be hooked up to produce, the Phase 3 facility upgrade will be completed and the field will ramp up to the target of 3,000 bopd. The impact on our valuation therefore from this delay in production is minimal. With the foundation now in place from Ungani production, the management team continues to pursue industry funding by way of a farm out for follow up exploration drilling along the Ungani Trend.

Foundation in place, farm in for exploration now key catalyst.

Despite the loss of near term cash flow, the Company has indicated that it has sufficient financial resources to prepare for the 2018 drilling program, therefore discussions with drilling rig contractors are progressing and long lead items are being finalised. Based on their current expected expenditure, we expect cash to be circa \$6-7m at the end of March. The exact form and timing of the drilling program is subject to the outcome of the current farmout negotiations. BRU are hoping to find a partner to drill up to 4 large "lookalikes" to Ungani. Extensive 3D seismic surveys have defined a prospective area around Ungani and along the geological trend for over 200 kms. The total 4 well program is estimated to cost circa \$20m.

Our 12-month forward valuation is A\$0.61 per share.

In their most recent Investor Presentation (14th March), BRU did outline that the original Ungani 2C resource volume was 7mmbbls with circa 12% of resources produced to date. We have therefore decided to be conservative in our own recoverable oil assumption and now assume 6.3m of recoverable oil (down from 9.6mmbbl), more in line with the latest Investor Presentation. Balancing out this reserve-based downgrade to our NPV, is an increase in our PRRT and tax loss balance in line with the unrecognised balances reported in the latest Annual Report. The net impact of the current production delay, reserve adjustment and tax credits on our Ungani NPV10 is a modest downgrade to A\$177m from A\$198m.

Our 12-month forward valuation and target price is now A\$0.61ps (down 5c on the lower reserve assumptions) and is based on a successful outcome of the Ungani Accelerated Development Plan and our NPV10 assumptions for the Ungani Oil Field (3,000bopd peak production, 6.3mmbbl recoverable oil and a A\$100/bbl long run oil price). It also contains a heavily risked value for future oil potential along the Ungani Trend. We also include a minimal value for the Goldwyer unconventional oil potential and Laurel Formation gas potential based on a peer value for similar early stage resource plays. On the basis of the upside to our target price and continued pipeline of catalysts we continue to rate BRU a **Speculative Buy**.

Share Price:	\$0.32
12mth Price Target:	\$0.61

Brief Business Description:

BRU is an oil producer and explorer with a core focus on the Canning Basin. Key asset is the Ungani Oil Field.

Hartleys Brief Investment Conclusion

BRU generates cash flow from oil sales from the Ungani Oil Field with additional upside potential from further development. BRU has an extensive exploration acreage position.

Chairman & CEO:

Eric Streitberg Executive Chairman

Substantial Shareholders:

Birkdale Enterprises Pty Ltd	7%
Chemco Pty Ltd	6%
E C Streitberg	7%

Company Address:

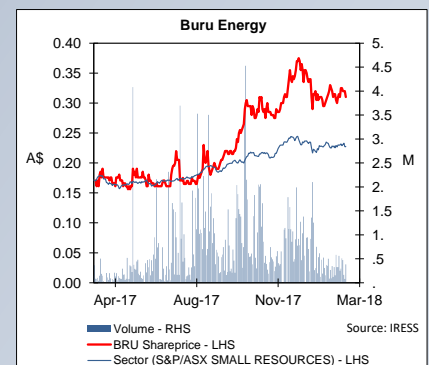
16 Ord Street
West Perth
WA 6872

Issued Capital:	432m
- fully diluted	437m
Market Cap:	\$138.2m
- fully diluted	\$139.7m
Debt (end CY17)	\$8.9m
Cash (end CY17)	\$16.9m

	FY16A	FY17A	FY18F
Prod ('000 bbl)	23	133	767
Op Cash Flw	-\$10m	-\$4m	\$16m
Free Cash Flw	\$0m	-\$13m	\$29m
NPAT* (A\$m)	-\$14m	-\$10m	\$10m
EPS (\$c, bas)*	(3.3)	(2.4)	2.38
P/E (basic)*	-9.8x	-13.5x	13.4x
EV / EBIT	-10.0x	-14.1x	9.1x
EV / EBITDA	-14.3x	-31.6x	6.6x
N.D. / equity	-16%	-12%	-50%
Net Cash End	\$8.8m	\$7.9m	\$37.4m

*normalised

Source: Hartleys Research



Authors:

Aiden Bradley
Industrials and Energy Analyst
Ph: +61 8 9268 2876
E: aiden.bradley@hartleys.com.au

Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Buru Energy Limited, for which it has earned fees and continues to earn fees.

SUMMARY MODEL

Buru Energy Limited						Share Price		26 March 2018					
BRU						\$0.320		Speculative Buy					
Key Market Information						Company Information							
Share Price						\$0.32		Level 2					
Market Capitalisation						\$138m		16 Ord Street					
Issued Capital						432m		West Perth					
Issued Capital (fully diluted inc. ITM options)						437m		WA 6872					
Options						4.6m		www.buruenergy.com					
EV						\$130m							
Net Debt						-\$8m							
Valuation													
12 Month Price Target \$ ps						0.61							
P&L						Substantial Shareholders							
	Unit	2015A	2016A	2017A	2018F	2019F	m shares	%					
Net Revenue		3.5	0.2	7.9	53.7	71.6	Birkdale Enterprises Pty Ltd	29.2	6.8%				
COGS		(5.3)	(1.4)	(4.2)	(24.9)	(32.7)	Chemco Pty Ltd	26.7	6.2%				
EBITDAX		(8.4)	(9.1)	(4.1)	19.8	32.3	E C Streitberg	29.7	6.9%				
Depreciation/Amort		(3.5)	(4.0)	(5.1)	(5.4)	(4.8)							
EBIT		(11.9)	(13.1)	(9.2)	14.4	27.4							
Net Interest		5.1	(1.2)	(1.1)	0.5	1.9							
Pre-Tax Profit		(6.8)	(14.3)	(10.3)	14.9	29.4							
Tax Expense		-	-	-	(4.5)	(8.8)							
NPAT		(6.8)	(14.3)	(10.3)	10.4	20.6							
Abnormal Items		(32.1)	(19.5)	4.1	-	-							
Reported Profit		(38.9)	(33.8)	(6.2)	10.4	20.6							
Balance Sheet						Production Summary							
		2015A	2016A	2017A	2018F	2019F	Unit	Pre-16	2016A	2017A	2018F	2019F	
Cash		33.9	21.1	16.9	41.1	44.3	Oil	'000 bbl	597	23	133	767	1,022
Other Current Assets		5.0	3.3	4.3	5.2	6.8							
Total Current Assets		38.9	24.3	21.2	46.3	51.1							
Property, Plant & Equip.		34.8	26.8	59.8	54.4	67.5							
Exploration		48.2	22.0	6.4	(9.3)	(7.0)							
Investments/other		0.1	0.1	0.0	0.0	0.0							
Tot Non-Curr. Assets		83.2	48.8	66.2	45.2	60.6							
Total Assets		124.7	73.2	87.3	91.4	111.7							
Payables		7.7	0.6	8.8	7.7	9.6							
ST Debt + other		1.4	1.3	6.7	1.4	1.4							
Total Curr. Liabilities		9.0	1.9	15.4	9.1	11.1							
Long Term Borrowings		21.5	11.0	2.3	2.3	-							
Other		4.1	4.1	5.6	5.6	5.6							
Total Non-Curr. Liabil.		25.6	15.1	7.8	7.8	5.6							
Total Liabilities		34.6	16.9	23.2	16.9	16.6							
Net Assets		90.0	56.2	64.1	74.5	95.1							
Cashflow						Share Price Valuation (NAV)							
		2015A	2016A	2017A	2018F	2019F	A\$ m	Un-risked	Risking	Risked	cps		
EBITDA		(8.4)	(9.1)	(4.1)	19.8	32.3	Ungani	177.1	100%	177.1	40.6		
Chg WC		2.7	(5.3)	7.1	(1.9)	0.3	Other Exploration	537.4	16%	85.3	19.5		
Interest		5.1	(1.2)	(1.1)	0.5	1.9	Gas Option	875.0	3%	21.9	5.0		
Tax		-	-	-	(4.5)	(8.8)	Net Debt & Corp.			-20.0	-4.6		
Other		(7.2)	5.7	(5.8)	2.2	0.5							
Gross Cash Flow		(7.8)	(9.9)	(3.9)	16.0	26.2	Valuation				61		
Capex		(21.6)	(5.8)	(10.4)	13.4	(20.8)							
Other		(4.1)	15.5	1.5	-	-							
Free Cash Flow		(33.5)	(0.3)	(12.8)	29.5	5.4							
Share Issuance		0.0	0.0	13.6	0.0	0.0							
Debt Issuance		7.4	(12.5)	(5.0)	(5.3)	(2.3)							
Dividend		0.0	0.0	0.0	0.0	0.0							
Other		0.1	(0.0)	0.0	0.0	0.0							
Net Chang in Cash		(26.0)	(12.8)	(4.2)	24.2	3.2							
Ratio Analysis						Petroleum Tenements							
	Unit	2015A	2016A	2017A	2018F	2019F	Permit	JV Partner	% Interest				
Free Cash Flow / share	A¢	(7.7)	(0.1)	(2.9)	6.8	1.2	L6*		100%				
Cashflow Multiple	X	(4.2)	(446.3)	(10.9)	4.7	25.7	L8		100%				
Earnings Per Share	A¢	(1.6)	(3.3)	(2.4)	2.4	4.7	L17		100%				
Price to Earnings Ratio	X	(20.5)	(9.8)	(13.5)	13.4	6.8	L20		100%				
EV / EBIT	X	(10.9)	(10.0)	(14.1)	9.1	4.7	L21		100%				
EV / EBITDA	X	(15.5)	(14.3)	(31.6)	6.6	4.0	PL7		100%				
Interest Cover	X	1.6	na	na	na	na	PL109		100%				
Net debt / Equity	%	na	na	na	na	na	EP129*		100%				
							EP391		100%				
							EP428		100%				
							EP431		100%				
							EP436		100%				
							EP457	Mitsubishi 37.5%	37.5%				
							EP458	Rey Resources 25%	37.5%				
								Mitsubishi 37.5%	37.5%				
								Rey Resources 25%					
Analyst : Aiden Bradley						Last updated March 26, 2018							
Phone: +61 8 9268 2876													
Sources: IRESS, Company Information, Hartleys Research													

HIGHLIGHTS

BRU and their Ungani Oil field has been impacted by one of the wettest February's on record. Broome has experienced two years' worth of rain in two months including its wettest February day since 1896. Ungani (70km east of Broome) has experienced close to 2 metres of rain, resulting in the temporary closure of the Ungani access road linking the field with the Great Northern Highway which is the export route for Ungani crude. The latest update is that the road should be open to heavy vehicles sometime in late April.

Wet Weather – Just a drop in the Ocean

While this disturbance is disappointing, and will result in reduced revenue in early 2018, it does not alter the investment story for BRU. The production facility remains in good working order, allowing an immediate restart as soon as road access is regained, with the on-site storage tanks full with 5,000 barrels of oil. It is still expected in 2Q18 that Ungani 4 and 5 will be hooked up to produce, the Phase 3 facility upgrade will be completed and the field will ramp up to the target of 3,000 bopd. The impact on our valuation from this delay production is minimal.

Fig. 1: Ungani Field Development



Source: BRU

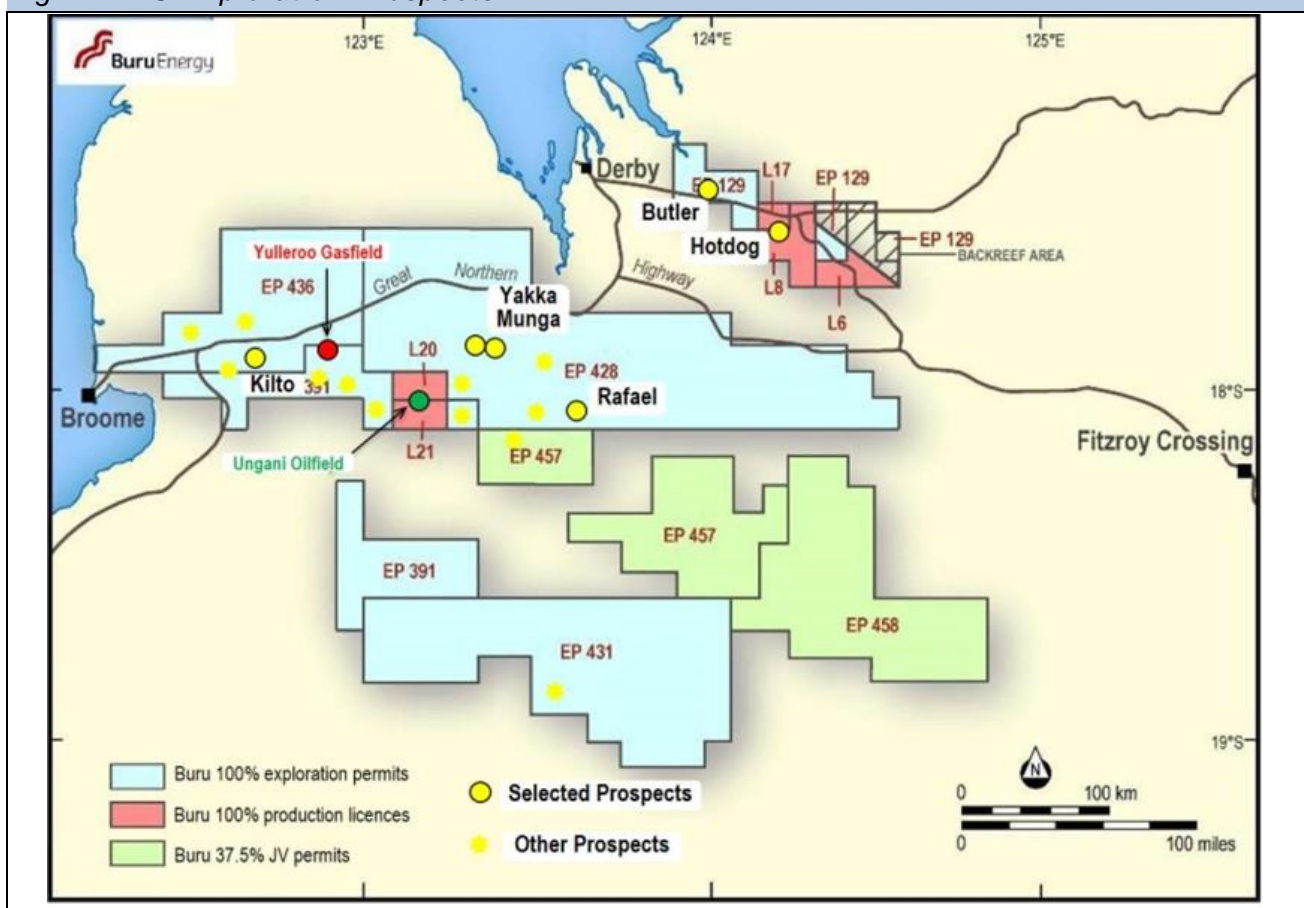
Investment Case intact – Ungani base plus Exploration Upside

With the foundation now in place from the Ungani Field development, the management team can focus on securing industry funding by way of a farm out for follow up exploration drilling along the Ungani Trend.

Despite the loss of near term cash flow, the Company has indicated that it has sufficient financial resources to prepare for the 2018 drilling program, therefore discussions with drilling rig contractors are progressing and long lead items are being finalised. Based on their current expected expenditure, we expect cash to be circa \$6-7m at the end of March.

The exact form and timing of the drilling program is subject to the outcome of the current farmout negotiations. BRU are hoping to find a partner to drill up to 4 large “lookalikes” to Ungani. Extensive 3D seismic surveys have defined a prospective area around Ungani and along the geological trend for over 200kms. The total 4 well program is estimated to cost circa \$20m.

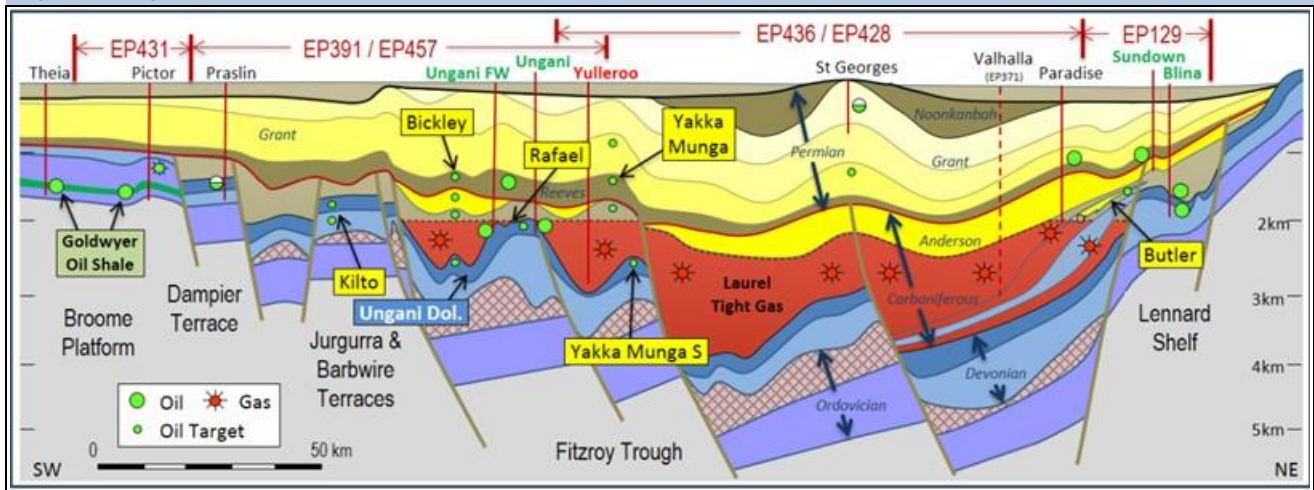
Fig. 2: BRU Exploration Prospects



Source: BRU

The potential for further exploration along the Ungani Trend has been boosted by the successful development at Ungani and the general uplift in industry exploration appetite for attractive high impact opportunities as offered by Buru as a result of stronger crude prices. There is also the potential for higher margin oil production based on new export facilities that the Ungani Field is now expected to support.

Fig. 3: Ungani Trend Cross Section



Source: BRU

We believe that it is highly likely that further Ungani lookalike fields do exist, the challenge will be finding them given the relative lack of wells and large aerial size of the play.

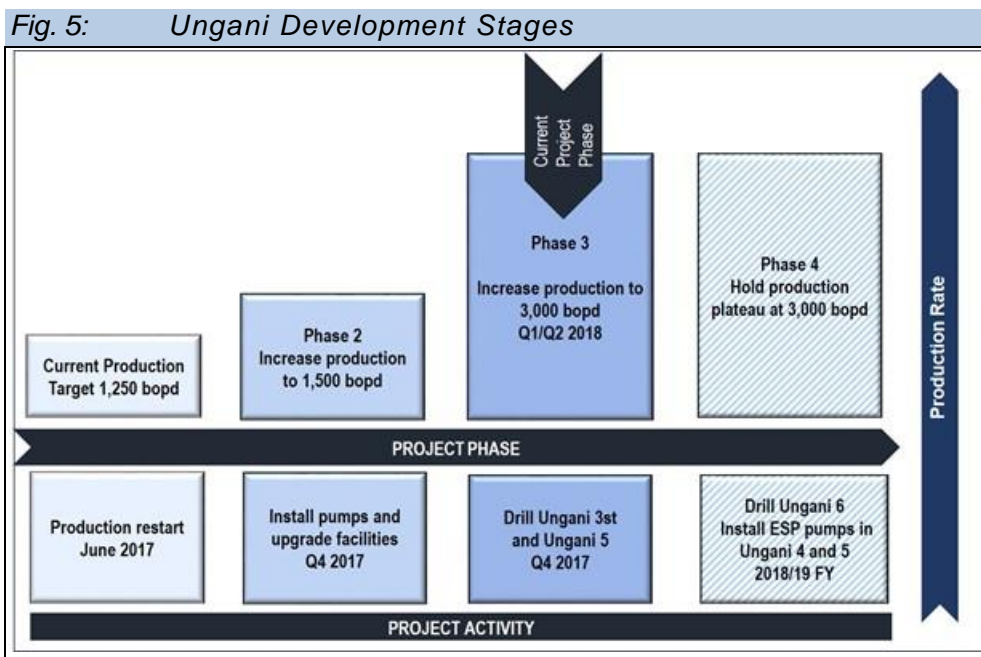
Fig. 4: Ungani Trend Targets

Prospective Resources - Refer Cautionary Statement				
Recov. Oil mmbbls/TCF		Low	Best	High
Rafael	mmbbls	36	75	138
Kilty	mmbbls	7	16	40
Yakka Munga	mmbbls	11	29	97
Hotdog	mmbbls	10	22	45
Butler Convent.	TCF	0.3	1.5	3.0
Butler tight gas	TCF	0.5	2.1	6.6

Source: BRU

Valuation Impact

The impact of the wet weather to date on our valuation has been minimal, due to the lack of damage to the production facilities and the 5,000 barrels in storage. Assuming no longer term impact from the rain we expect the Company to still ramp up production to 3,000bopd including the two new wells.



Source: BRU

BRU have not undertaken an independent reserve/resource assessment of Ungani since April 2016.

Fig. 6: Ungani Contingent Resources

Ungani Oilfield Contingent Resources (100%WI, MMstb)			
	P90	P50	P10
Original in place	8.99	16.13	32.30
Estimated Ultimate Recovery (EUR)	2.70	7.26	19.41
Production to 26 January 2016	0.62	0.62	0.62
	1C	2C	3C
Contingent Resources	2.08	6.65	18.80

Source: BRU. Evaluation date 30 April 2016. Gaffney Cline and Associates (GCA) assessment of the Contingent Resources of the Ungani Oilfield undertaken on 30 April 2016.

In their most recent Investor Presentation (14th March), BRU did outline that the original 2C resource volume was 7mmbbls with circa 12% of resources produced to date. We have therefore decided to be conservative in our own recoverable oil assumption and now assume 6.3m of recoverable oil (down from 9.6mmbbl), more in line with the latest Investor Presentation.

Balancing out this reserve-based downgrade to our NPV, is an increase in our PRRT and tax loss balance in line with the unrecognised balances reported in the latest Annual Report.

The net impact of the current production delay, reserve adjustment and tax credits on our Ungani NPV10 is a modest downgrade to A\$177m from A\$198m.

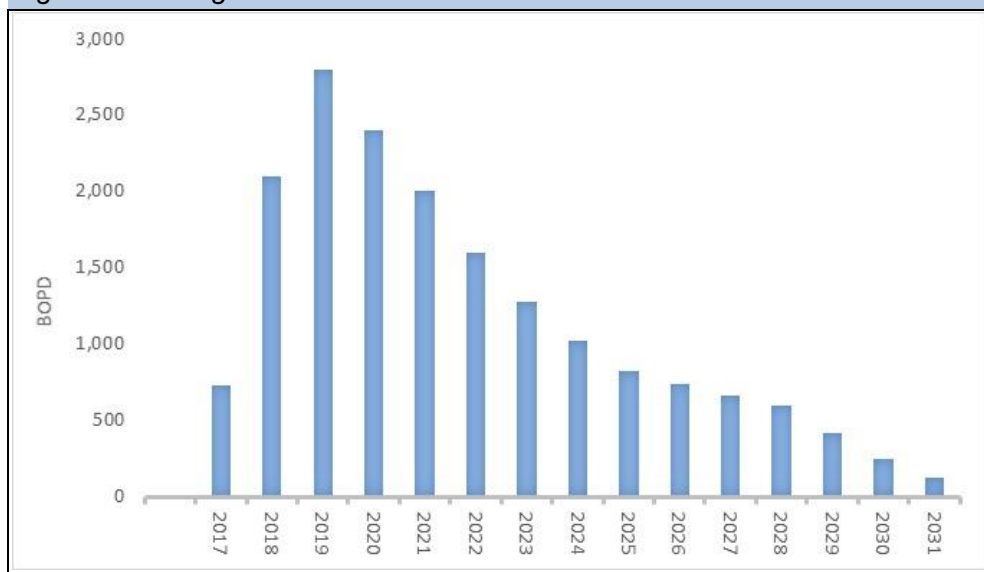
Fig. 7: BRU Unrecognized Net Deferred Tax Assets

Unrecognised net deferred tax assets			
Net deferred tax assets have not been recognised in respect of the following items.			
<i>in thousands of AUD</i>	31 December 2017	31 December 2016	Net Movement
Deferred tax assets			
Business related costs	302	377	(75)
Capital loss on bad debts	-	526	(526)
Accruals	15	35	(20)
Provisions	2,095	1,595	500
Development expenditure	3,493	2,227	1,266
Inventories	1,189	1,024	165
Tax losses	41,278	45,903	(4,625)
PRRT	175,409	95,310	80,099
Other	-	3	(3)
	223,781	147,000	76,781

Source: BRU

Our 12-month forward valuation and target price now assumes a successful result at Ungani 4 & 5 and our base case NPV10 for the Ungani Oil Field (3,000bopd peak production, 6.3mmbbl recoverable oil and a A\$100/bbl long run oil price).

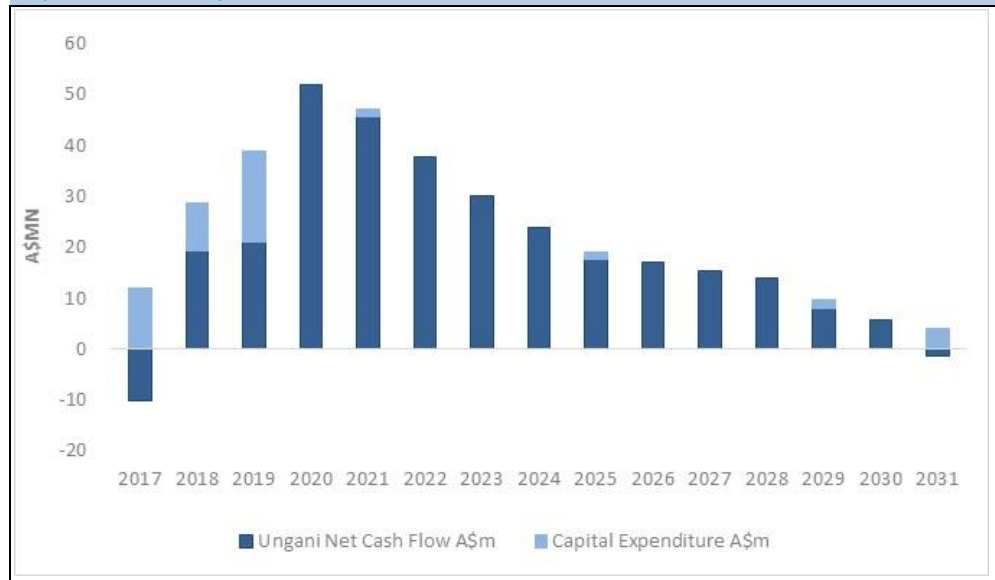
Fig. 8: Ungani Production



Source: Hartleys Research

Over the future life of the field we estimate that Ungani will generate close to \$300m of free cash flow after tax (and an NPV of roughly A\$28.25 per barrel) on the basis of our long run Brent price of US\$75/bbl (and an AUD/USD of 0.75c).

Fig. 9: Ungani Net Cash Flow



Source: Hartleys Research

Beyond the Ungani Field, our valuation also contains a heavily risked value for future oil potential along the Ungani Trend. We now expect management to focus on securing funding for this programme, principally by way of industry farm out.

We also include a minimal value for the Goldwyer unconventional oil potential and Laurel Formation gas potential based on a peer value for similar early stage resource plays.

On the basis of the upside to our 12-month target price and pipeline of catalysts we rate BRU a Speculative Buy.

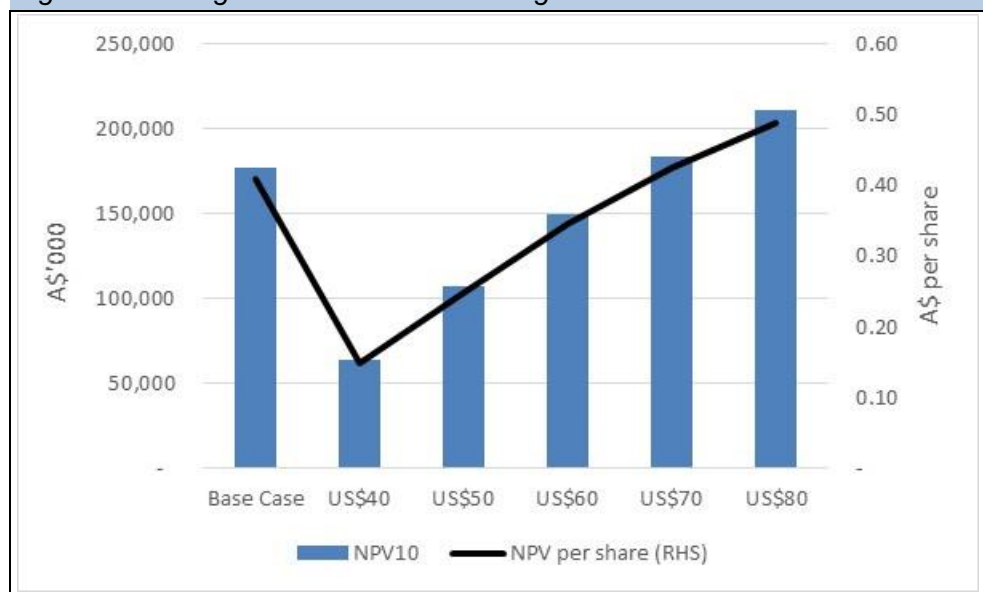
Fig. 10: BRU Valuation – Base Case

Share Price Valuation (NAV)				
A\$m	Un-risked	Risking	Risked	cps
Ungani	177.1	100%	177.1	40.6
Other Exploration	537.4	16%	85.3	19.5
Gas Option	875.0	3%	21.9	5.0
Net Debt & Corp.			-20.0	-4.6
Valuation				61

Source: Hartleys Research.

Oil Price Leverage: As a relatively fixed cost oil producer, BRU through its Ungani project has significant leverage to the oil price. Additionally, at higher oil prices the likelihood of funding future exploration would also increase as the appetite for further exploration in the Canning Basin will ebb and flow with prevailing international oil and domestic gas prices.

Fig. 11: Ungani NPV10 at Differing Oil Prices



Source: Hartleys Research

Timetable of Events / Catalysts:

- ✓ CY17: Ungani Accelerated Development Program
- 2: CY18: Ungani Trend Oil Exploration
- 3: Timing Uncertain: Unconventional Oil appraisal
- 4: CY19/20: Gas Appraisal

1: Ungani Accelerated Development Program (Near Complete)

Overall the Ungani Accelerated Development Program has the potential to increase production to 3,000 bopd. A successful Ungani development could underpin the future construction of a Broome export facility (cost estimate of \$18m) that significantly increases the long-term oil production operating margin and supports future oil exploration activities.

2. CY18: Ungani Trend Oil Exploration (Imminent)

The exact form and timing of the drilling program is subject to the outcome of the current farmout negotiations. BRU are hoping to find a partner to drill up to 4 large “lookalikes” to Ungani. Extensive 3D seismic surveys have defined a prospective area around Ungani and along the geological trend for over 200kms. The total 4 well program is estimated to cost circa \$20m.

3: Unconventional Oil appraisal (Timing Uncertain)

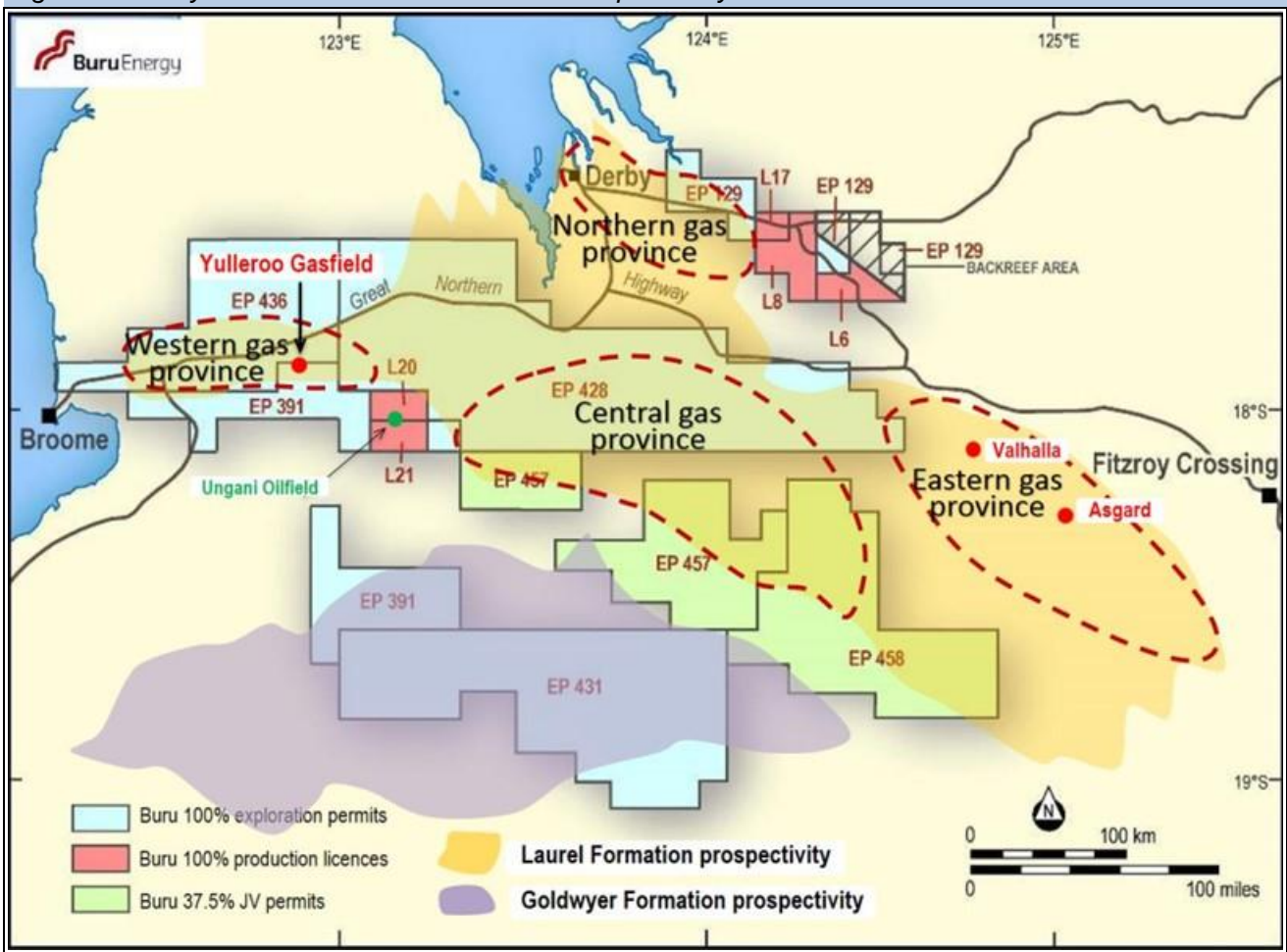
Finder Exploration's Theia-1 well in the Goldwyer Formation was very encouraging. Theia-1 was a test of the Middle Ordovician Goldwyer III liquids rich resource play and early assessment of the well results appear to validate the geological model and substantially de-risk the play. However, there is currently a moratorium on hydraulic fracturing in WA and the future of fracking in WA will be decided following an independent scientific inquiry, chaired by Environmental Protection Authority chairperson Tom Hatton. Hence the timing of further testing on Exploration Permit

EP 493 by Finder is uncertain and similarly the knock-on impact this testing would have had on BRU's surrounding large acreage position.

4: CY18/19: Gas Appraisal (Timing Uncertain)

The appraisal of the Yulleroo gas resource is also subject to the timing of the WA fracking enquiry and is expected to be delayed until 2019/20. BRU has identified a world scale gas condensate resource base in the Laurel Formation in the Canning Basin and subsequent to the transaction with Mitsubishi, Buru Energy has a 100% interest of the Yulleroo Gasfield and the gas resources in the other areas of the basin outside EP 371.

Fig. 12: Goldwyer and Laurel Formation Prospectivity



Source: BRU

This quarter, RISC Advisory Pty Ltd (RISC) completed an independent assessment of the tight gas and hydrocarbon liquid resources of the Yulleroo Field within exploration permits EP 391 and EP 436. RISC has estimated Contingent and Prospective Resource sales gas and associated liquids in the Yulleroo Field as at 1 December 2017 as follows:

The forward plan for the Yulleroo Field is not currently being progressed due to the WA Government fracking moratorium.

Fig. 13: Yulleroo Field Resources*

Contingent Resources Net to Buru	1C	2C	3C
Sales Gas (PJ)	321.4	714.0	1,267.0
Associated Liquids (MMbbls)	9.5	24.9	47.6
Prospective Resources Net to Buru	Low	Best	High
Sales Gas (PJ)	124.6	302.8	611.0
Associated Liquids (MMbbls)	4.3	11.9	24.8

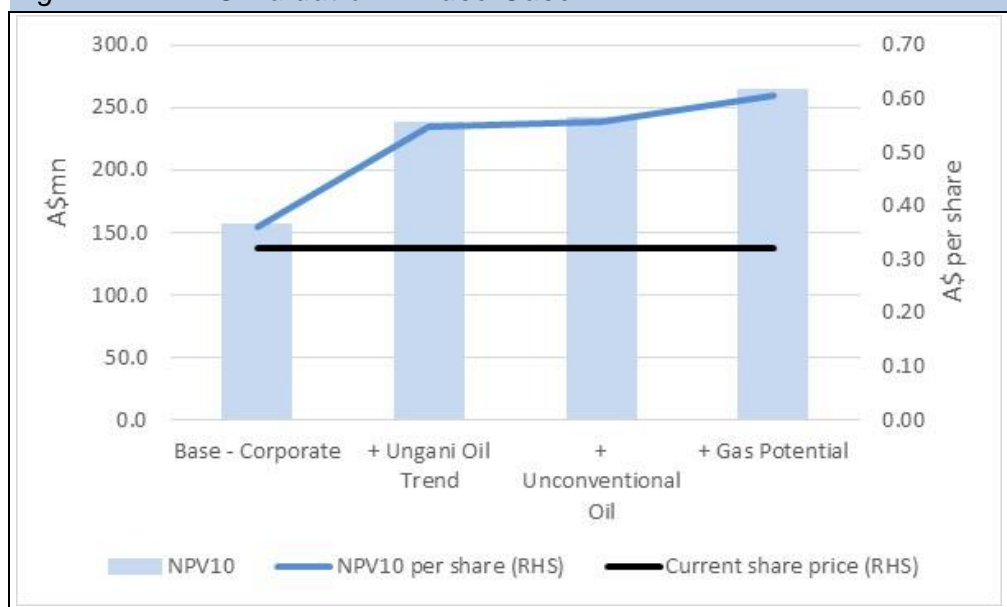
Source: BRU. *RISC's Contingent Resource and Prospective Resource assessment has been prepared using the probabilistic method and an evaluation date of 1 December 2017.

RECOMMENDATION, VALUATION & RISKS

INVESTMENT THESIS & RECOMMENDATION

Our 12-month forward valuation and target price of A\$0.61 per share (down 5c) is based on our base case NPV10 for the Ungani Oil Field (3,000bopd peak production, 6.3mmbbl recoverable oil and a A\$100/bbl long run oil price). It also contains a heavily risked value for future oil potential along the Ungani Trend. This prospective play will continue to be de-risked by continued success at Ungani and any positive outcome from BRU's intended farm out process. We also include a minimal value for the Goldwyer unconventional oil potential and Laurel Formation gas potential based on a peer value for similar early stage resource plays.

Fig. 14: BRU Valuation – Base Case



Source: Hartleys Research

There remains a number of potential catalysts and potential milestones over the next 12 months that we expect to drive the current price up towards our target. These include;

- ✓ CY17: Ungani Accelerated Development Program
- 1. CY18: Follow Up Oil Exploration
- 2. Timing Uncertain: Unconventional Oil appraisal
- 3. CY19/20: Gas Appraisal

On the basis of the upside to our 12-month target price and pipeline of catalysts we rate BRU a Speculative Buy.

RISKS

BRU is an oil and gas exploration and production company exclusively focused on the Canning Basin. The asset swap with Mitsubishi has resulted in a more focused Company and freed it to pursue its own more simplified strategy, which began with the Ungani Accelerated Development Plan. The key risks for BRU (like most junior oil &

gas companies) is a combination of exploration success and performance of the production assets (if any). Other risks are earnings disappointments given the industry is volatile and earnings can disappoint due to cost overruns, project delays, cost inflation, environmental regulations, resource estimate errors. Although some disappointments can be short term and are only a timing issue, other disappointments can be materially value destructive and can sometimes overhang stocks for a long period of time (for example over-estimating long-term flow rates). Such disappointments can be very difficult to predict and share price reactions can be severe and immediate upon disclosure by the company.

High financial leverage (if it exists at that time) would add to the problem. Investing in explorers is very risky given the value of the company (exploration value) in essence assumes that the market will recognise a portion of potential value before the results of an exploration program are known, conscious that the ultimate chance of success is low (typically 1%-20%) and that failure is much more likely, in most cases.

Fig. 15: Key assumptions and risks for valuation

Assumption	Risk of not realising assumption	Risk to valuation if assumption is incorrect	Comment
Ungani Production, Reserves and Exploration Upside.	Moderate	High	We assume that Ungani production reached the Company target of 3,000bopd in CY19. This is reliant on a successful tie-back of the Ungani 4 and Ungani 5 development wells. We also assume total recovery of 6.3mmbbl, in line with the 2C reported in 2016. While we feel (post Ungani drilling and recent rise in oil prices) that our exploration value is conservative, it is reliant on securing a farm in partner / funding, so may not eventuate in a timely manner.
Capital Commitments	Moderate	High	Drilling and completion costs have historically been very high in the Canning Basin. However, the current downturn in the oil price has resulted in a significant decline in service costs. The current cost of Ungani wells are A\$4.5-5.0m to drill and completion (less than half what we estimate it would have cost at the peak of the last cycle). Going forward capital costs are likely to rise and fall with prevailing oil prices.
Oil Price and currency Forecasts	Moderate	High	From recent cyclical lows we had expected the Brent oil price to recover towards the top end of its current US\$40-60/bbl trading range before breaking out to a higher US\$60-75/bbl price band from FY19 as lower cost onshore US production peaks. So, prices in our opinion have obviously overshot in the near term, but the medium-term trend remains bullish and higher from recent year lows. The Ungani Oilfield and hence BRU is highly leveraged to the oil price. Our long run AUD / USD is US\$0.75. A rising AUD would impact BRU negatively as they have a significant proportion of their cost base in AUD.
Western Australian drilling legislation	Moderate	High	BRU is exclusively focused on the Canning Basin in Western Australia. Hence it is at risk from changes to Petroleum Legislation and Title issues in the Canning Basin itself. Fracture stimulation is currently not allowed in WA, until a Government led review is complete. This will directly impact BRU's ability to explore its Goldwyer Unconventional Oil and Laurel Formation Gas potential.

Conclusion

We believe our Ungani Field assumptions are achievable and have a moderate to high level of confidence in both our forward capex and macro assumptions

Source: Hartleys Research

SIMPLE S.W.O.T. TABLE

Strengths	<p>Extensive acreage position in the prospective Canning Basin.</p> <p>Growing production from the already discovered Ungani Oil Field.</p> <p>Experienced Management Team.</p> <p>Single Basin focus.</p> <p>Basin is relatively underexplored, providing a number of early stage prospective plays.</p>
Weaknesses	<p>Capital requirements, will likely need a partner to fully fund future oil and gas exploration.</p> <p>Company still has a small amount of debt to repay.</p> <p>Basin is relatively underexplored.</p>
Opportunities	<p>Leverage to rising oil prices.</p> <p>Large conventional oil targets on trend with Ungani discovery.</p> <p>Unconventional oil potential looks promising in the Goldwyer Formation.</p> <p>Laurel Formation unconventional gas play still looks prospective, likely to get free kick from work undertaken by former JV partner.</p> <p>Given quality of gas source rocks in the Basin, we expect commercial scale conventional gas fields to exist (but given the size of the basin they will be difficult to find).</p>
Threats	<p>Highly leveraged to international oil prices.</p> <p>Exposure to the USD / AUD exchange rate.</p> <p>Western Australian drilling legislation (e.g. fracture stimulation ban) and land access issues (e.g. Native Title issues).</p>

Source: Hartleys Research

HARTLEYS CORPORATE DIRECTORY

Research

Trent Barnett	Head of Research	+61 8 9268 3052
Mike Millikan	Resources Analyst	+61 8 9268 2805
John Macdonald	Resources Analyst	+61 8 9268 3020
Paul Howard	Resources Analyst	+61 8 9268 3045
Aiden Bradley	Research Analyst	+61 8 9268 2876
Oliver Stevens	Research Analyst	+61 8 9268 2879
Michael Scantlebury	Junior Analyst	+61 8 9268 2837
Janine Bell	Research Assistant	+61 8 9268 2831

Corporate Finance

Dale Bryan	Director & Head of Corp Fin.	+61 8 9268 2829
Richard Simpson	Director	+61 8 9268 2824
Ben Crossing	Director	+61 8 9268 3047
Ben Wale	Associate Director	+61 8 9268 3055
Stephen Kite	Associate Director	+61 8 9268 3050
Scott Weir	Associate Director	+61 8 9268 2821
Scott Stephens	Associate Director	+61 8 9268 2819
Rhys Simpson	Manager	+61 8 9268 2851

Registered Office

Level 6, 141 St Georges Tce Postal Address:

Perth WA 6000 GPO Box 2777
 Australia Perth WA 6001
 PH: +61 8 9268 2888 FX: +61 8 9268 2800
 www.hartleys.com.au info@hartleys.com.au

Note: personal email addresses of company employees are structured in the following manner: first.name.last.name@hartleys.com.au

Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

Institutional Sales

Carrick Ryan	+61 8 9268 2864
Justin Stewart	+61 8 9268 3062
Simon van den Berg	+61 8 9268 2867
Digby Gilmour	+61 8 9268 2814
Veronika Tkacova	+61 8 9268 3053

Wealth Management

Nicola Bond	+61 8 9268 2840
Bradley Booth	+61 8 9268 2873
Adrian Brant	+61 8 9268 3065
Nathan Bray	+61 8 9268 2874
Sven Burrell	+61 8 9268 2847
Simon Casey	+61 8 9268 2875
Tony Chien	+61 8 9268 2850
Tim Cottee	+61 8 9268 3064
David Cross	+61 8 9268 2860
Nicholas Draper	+61 8 9268 2883
John Featherby	+61 8 9268 2811
Ben Fleay	+61 8 9268 2844
James Gatti	+61 8 9268 3025
John Goodlad	+61 8 9268 2890
Andrew Gribble	+61 8 9268 2842
David Hainsworth	+61 8 9268 3040
Murray Jacob	+61 8 9268 2892
Gavin Lehmann	+61 8 9268 2895
Shane Lehmann	+61 8 9268 2897
Steven Loxley	+61 8 9268 2857
Andrew Macnaughtan	+61 8 9268 2898
Scott Metcalf	+61 8 9268 2807
David Michael	+61 8 9268 2835
Jamie Moullin	+61 8 9268 2856
Chris Munro	+61 8 9268 2858
Michael Munro	+61 8 9268 2820
Ian Parker	+61 8 9268 2810
Matthew Parker	+61 8 9268 2826
Charlie Ransom	+61 8 9268 2868
Mark Sandford	+61 8 9268 3066
David Smyth	+61 8 9268 2839
Greg Soudure	+61 8 9268 2834
Sonya Soudure	+61 8 9268 2865
Dirk Vanderstruyf	+61 8 9268 2855
Samuel Williams	+61 8 9268 3041
Jayne Walsh	+61 8 9268 2828

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