

Quarterly Report

Quarter Ended:
30 June 2009



Introduction

The directors of Buru are pleased to present the report of the Company for the quarter ended 30 June 2009.

Strategy

The Company's strategy is to explore for and develop petroleum and energy resources to deliver material benefits to its shareholders, the community and the traditional owners in the areas in which it operates. The Company's operations are focused on the Canning Basin in the Kimberley region of northwest Western Australia.

Financial

Appendix 5B to this report contains the cash flow statement for the quarter with the key highlights being:-

- Blina and Sundown oil fields produced a cash operating surplus of \$374,173 for the quarter;
- Interest income of \$500,087 was received on Buru's unescrowed cash reserves, which were \$58.3 million at 30 June 2009;
- Other receipts and sundry income of \$188,415, primarily earned by Buru dry hiring its Fairway Rig to Australian Worldwide Exploration Limited, and diesel fuel tax credits;
- Net exploration expenditure of \$381,857 included ongoing technical work, permit management and preparation for the 2009 seismic surveys, offset by cost recoveries from joint ventures of \$310,000;
- Administration and other operating costs of \$436,728;
- A net cash surplus of \$185,121 (before exchange rate adjustments) was generated for the quarter.

At the end of the quarter the Company had net cash reserves of over \$58.3 million available for exploration, development and investment, and has a capital structure that provides significant upside potential for shareholders from even a modest commercial oil or gas discovery.

Issued Capital (as at date of this report)		Financial Resources (as at the end of the quarter)	
Ordinary Shares:	162,119,728	Total Cash	\$79,001,944 (*)
Options (listed):	55,176,975	Free Cash	\$58,274,010 (*)
Options (unlisted):	28,600,000	Debt	Nil

(*) \$20.7 million of the Company's total cash is held in an account (in escrow) on behalf of Alcoa in accordance with the Company's commitment to Alcoa as described in section 2.1 of the attached Appendix 5B, until Buru delivers gas under a Gas Sales Agreement.

Production and Development

The Company's oil production from the Blina and Sundown oil field complex, contained within the L6 and L8 production licences in the Canning Basin in the northwest of Western Australia, was in excess of 100 bopd with average production in April 2009, May 2009 and June 2009 being 101 bopd, 128 bopd and 134 bopd respectively.

Oil production generated cash receipts during the quarter of \$622,185 (March 2009 quarter \$787,274). The lower result, compared to the previous quarter, was due to the timing of receipts from weather impacted production in March 2009. However, Buru's oil production activities generated strong net operating revenues of \$1,075,317 from \$2,999,987 in gross revenue over the ten months since Buru demerged from ARC on 25 August 2008.

Ongoing technical work is identifying additional opportunity for the Company to improve production and reserves from the Blina and Sundown oil field complex through a combination of additional workovers of existing wells and exploration drilling activities in 2010 based on 3D seismic data to be acquired over the fields in the area in 2009.

Drilling

The Company had no drilling activity during the June 2009 quarter. The current state of the global economic environment and previous weakness in oil prices has resulted in the Company deferring drilling activities to the 2010 dry season. In 2009, the Company will focus on acquiring additional 2D and 3D seismic data in preparation for these drilling activities.

Exploration

Exploration activities during the quarter focused on:

- preparing for the 2009 seismic surveys, including finalising heritage clearances;
- ongoing technical work specifically in relation to regional geological analysis; and
- permit management activities focusing on restructuring the Company's exploration permit portfolio and consequent financial obligations.

The Company continued its technical review and prospect identification and refinement process during the quarter in preparation for drilling activities in the 2010 dry season. An outcome of this review and prospect identification is the acquisition of some 225 sq km of 3D seismic data over the existing oil fields in production licence L6, L8 and exploration permit EP 129, and over 100 km of 2D seismic data over the Paradise 1 prospect on the boundary of exploration permits EP 371 and EP 428.

During the quarter the Company obtained heritage clearances over the proposed 3D and 2D seismic acquisition areas and line clearing is currently underway for the 3D seismic area, with data acquisition expected to commence in August 2009. As part of the heritage clearance process over the 3D seismic area Buru sought input from traditional owners in terms of a suitable name for the seismic survey. The traditional owners asked that the survey name be changed to the Bunda 3D seismic survey which, according to tribal elders on the survey, is a reference to a very highly regarded and respected elder who spoke for the country in which the 3D survey is taking place. Buru was pleased to agree to the change in the survey name as a mark of respect to traditional owners.

As the Company outlined on 19 June 2009, provided the results of the Bunda 3D seismic survey support the existing analysis of the 2D data and suitable drilling rigs are available, it is expected that drilling on the most prospective structures would commence in the 2010 dry season.

Corporate

On 16 June 2009 Buru received a Notice of Termination in relation to the proposal from Arenite Pty Ltd. The Notice of Termination was in relation to the failure of a specific condition precedent and the Merger and Implementation Agreement between Buru and Arenite Pty Ltd was subsequently terminated.

As outlined in Buru's ASX announcement on 29 June 2009 the Board is undertaking a review of its structure and composition. Buru's current non executive director, Mr Eric Streitberg has indicated his intention to continue as a director and will be standing for re-election at the 2009 AGM. Prior to the AGM Mr Streitberg will commence a previously arranged period of leave and will appoint an alternate director in his absence. Buru's 2009 AGM is scheduled for 16 October 2009.

Glossary

Buru or the Company
ARC
Alcoa
AGM
GSA
bopd
Sq km
Options (unlisted)
Options (listed)
VWAP

Buru Energy Limited (ASX code: BRU)
ARC Energy Limited
Alcoa of Australia Limited
Annual General Meeting
Gas Sales Agreement
Barrels of oil per day
Square kilometres
Unlisted directors and employee options
Options listed on the ASX under the code: BRUO
Volume Weighted Average Price

Managing Director's Comments

"Buru is looking forward to receiving the data from the first ever 3D seismic data acquired in the Canning Basin and analysing this data over the remainder of the calendar year before Buru looks to drill on these and other prospects in the 2010 dry season.

We are also pleased to have been able to involve the local traditional owners in the naming of the Bunda 3D seismic survey and look forward to working with these communities in the future.

We are now at an advanced stage in our analysis of the Canning Basin from a technical perspective and expect to be able to provide shareholders and other stakeholders with updates on this work as it reaches its conclusion. As part of this work Buru will systematically match its exploration commitments and resource capabilities with the exploration of the most prospective regions of the Basin.

We look forward to initiating an active period of exploration in the Canning Basin commencing with the acquisition of the Bunda 3D seismic data in August 2009."

*Adrian Cook
Managing Director*

Buru Energy Limited
ABN 71 130 651 437

Address: Level 1, 418 Murray Street, Perth WA 6000
Postal Address: PO Box 7794, Perth Cloisters Square WA 6850

Communications: Free call: 1800 337 330 or Email: info@buruenergy.com



Appendix 5B

Mining exploration entity quarterly report

Name of entity

BURU ENERGY LIMITED

ABN

71 130 651 437

Quarter ended

30 June 2009

Consolidated statement of cash flows

	Current quarter \$A	Year to date (12 months) \$A
Cash flows related to operating activities		
1.1 Receipts from:		
(a) product sales and related debtors	622,185	2,999,987
(b) other income	188,415	198,425
1.2 Payments for:		
(a) exploration and evaluation	(381,857)	(5,880,502)
(b) development	(3,280)	(676,922)
(c) production	(248,012)	(1,924,670)
(d) administration	(436,728)	(2,253,408)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	500,087	2,775,611
1.5 Interest and other costs of finance paid	(1,086)	(2,356)
1.6 Income taxes paid	-	-

Mining exploration entity quarterly report

1.7	Other – security deposits and prepaid business interruption insurance	-	(572,110)
	Net operating cash flows	239,724	(5,335,945)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) fixed assets	(25,493)	(578,124)
1.9	Proceeds from sale of:		
	(a) fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Other – Payments for royalty rights acquired	(29,110)	(29,110)
	Net investing cash flows	(54,603)	(607,234)
1.12	Total operating and investing cash flows (carried forward)	185,121	(5,943,179)
1.13	Total operating and investing cash flows (brought forward)	185,121	(5,943,179)
Cash flows related to financing activities			
1.14	Proceeds from issues of ordinary shares, options, etc	-	1
1.15	Proceeds from issue of preference shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Cash received from demerger with ARC Energy Limited	-	84,986,578
	Net financing cash flows	-	84,986,579

Mining exploration entity quarterly report

	Net increase (decrease) in cash held	185,121	79,043,400
1.20	Cash at beginning of quarter/year to date	78,916,350	-
1.21	Exchange rate adjustments to item 1.20	(99,527)	(41,456)
	Cash at end of quarter including cash held in escrow	79,001,944	79,001,944
	Less cash held in escrow	(20,727,934)	(20,727,934)
1.22	Cash at end of quarter	58,274,010	58,274,010

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	111,250
1.24	Aggregate amount of loans to the parties	-

1.25 Explanation necessary for an understanding of the transactions

Mining exploration entity quarterly report

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 million and interest thereon in partial satisfaction of Buru Energy's obligations to repay a \$40 million gas prepayment made by Alcoa to ARC prior to the demerger of Buru Energy. These financial obligations crystallise if Buru Energy does not deliver gas under the GSA from gas supplied from the Canning Basin or elsewhere, with repayment obligations being in three equal annual instalments commencing in 2013. During the 2009 year, this cash balance in escrow received interest totalling \$727,934 taking the total escrowed cash balance to \$20.728 million.

- 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	Amount used
	\$A	\$A
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A
4.1 Exploration and evaluation	6,000,000
4.2 Development	-
Total	6,000,000

Mining exploration entity quarterly report

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	Previous quarter
		\$A	\$A
5.1	Cash on hand and at bank	28,172,117	27,967,185
5.2	Deposits at call	30,101,430	30,100,555
5.3	Bank overdraft	-	-
5.4	Other (share of joint venture cash)	463	120,676
Total: cash at end of quarter (item 1.22)		58,274,010	58,188,416
Cash held in escrow		20,727,934	20,727,934
Total: cash at end of quarter including cash held in escrow		79,001,944	78,916,350

Changes in interests in mining tenements

Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	N/A	N/A

Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.2	Interests in mining tenements acquired or increased	N/A	N/A

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.

		Total number	Number quoted	Issue price per security	Amount paid up per security
7.1	+Preference securities <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	+Ordinary securities	162,119,728	162,119,728	N/A	N/A
7.4	Changes during quarter				
	(a) Increases	N/A	N/A	N/A	N/A
	Issued shares	-	-	-	-
	Options exercised	-	-	-	-
	Options exercised	-	-	-	-
	(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5	+Convertible debt securities	N/A	N/A	N/A	N/A
7.6	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through securities matured, converted	-	-	-	-

Mining exploration entity quarterly report

7.7 Options			<i>Exercise price</i>	<i>Expiry date</i>
	55,176,975	55,176,975	\$0.94	10 Oct 2010
	<u>28,600,000^(a)</u>	-	\$0.94	27Aug 2010
	83,776,975	55,176,975		
7.8 Issued during quarter	300,000	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Forfeited during quarter	-	-	-	-
7.11 Debentures (<i>totals only</i>)	N/A	N/A		
7.12 Unsecured notes (<i>totals only</i>)	N/A	N/A		

(a) *Unlisted options – issued under the Buru Energy D&E Options employee share scheme*

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:

Date: 23 July 2009

Print name: **ADRIAN COOK**
(Chief Executive Officer)

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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