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ASX ANNOUNCEMENT (ASX: BRU)

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Extension of Alcoa Gas Supply Agreement

Buru Energy Limited (“**Buru**” or “**Company**”) is pleased to announce that Buru and Alcoa of Australia Limited (“**Alcoa**”) have agreed to a further two year extension of the Gas Supply Agreement between Buru and Alcoa (“**GSA**”).

Highlights

- Buru now has until 1 January 2015 to establish sufficient reserves to supply gas to Alcoa under the GSA.
- This extension provides Buru with additional time to appraise and prove up gas reserves in the Canning Superbasin at the Yulleroo Field, the Valhalla accumulation and the wider Laurel Formation Basin Centred Gas Accumulation (“**BCGA**”).
- The recently announced State Agreement will allow Buru to optimise and expedite the work programs necessary to establish reserves and develop the infrastructure required to supply gas to Alcoa under the GSA.
- In the event Buru does not prove up sufficient reserves to supply gas under the GSA, the repayment period under the GSA has also been extended by two years, with the first of the three equal annual repayment tranches (if required) not being due until 31 December 2015.

Background

The GSA provides for Buru to deliver up to 500 PJ of gas to Alcoa from discoveries made in the Canning Superbasin. Pursuant to the GSA, Alcoa made a \$40 million prepayment for gas to be delivered under the GSA (“**Alcoa Prepayment**”).

As a result of the extension announced today, Buru now has until 1 January 2015 to identify sufficient gas to commence delivery under the GSA. If, prior to 1 January 2015, Buru has not made a final investment decision to proceed with a gas development that would supply sufficient gas to meet its initial delivery obligations under the GSA of 400 PJ, Buru will then be obliged to repay the Alcoa Prepayment in three equal annual instalments commencing on 31 December 2015. The third instalment may be satisfied with cash or Buru shares, at Buru’s election. Buru currently holds \$24.8 million in escrow in partial satisfaction of Buru’s potential obligation to repay the Alcoa Prepayment.

Importantly, this extension combined with the long term tenure and ability to optimise work programs provided by the State Agreement will ensure Buru is able to appraise both the Yulleroo Field and the Valhalla accumulation, and the wider Laurel Formation BCGA in the most timely and operationally efficient manner.

The extension of the GSA is an important part of the Company's gas commercialisation strategy. Alcoa is a "blue chip" customer able to take as a single off-take the volumes of gas needed to provide the financial security to develop the Great Northern Pipeline and, should commercial gas reserves be proven during the contract term, will facilitate the Company satisfying its commitment to develop a domestic gas project under the State Agreement. Having a "blue chip" customer is also an important step to allow the conversion of contingent gas resources into bankable gas reserves.

Commenting on the extension by Alcoa, Buru's Executive Director, Eric Streitberg said:

"We are extremely pleased that Alcoa has extended the term of the gas supply agreement. The Company has continued to have significant success during 2012, with the appraisal of both the Valhalla and Yulleroo accumulations indicating the presence of two potentially very substantial gas resources, together with the independent confirmation that this appraisal program has confirmed the presence of the wider Laurel BCGA. The extension of this agreement by Alcoa a month after we entered into a State Agreement with the State of Western Australian is a further endorsement of the prospectivity of the Superbasin and its strategic value to Western Australia.

Importantly, the agreement can underpin the construction of the Great Northern Pipeline, facilitating the timely and effective development of a domestic gas project to deliver gas from the Canning Superbasin to the South West domestic gas market.

The extension of the agreement will again ensure that the strong alliance between Buru and Alcoa continues. We look forward to continuing to work with Alcoa to develop the gas resources of the Canning Superbasin and to ultimately develop a substantial Western Australian domestic gas project."

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