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ASX ANNOUNCEMENT (ASX: BRU)

7 November 2012

**Buru executes State Agreement -
provides long term tenure and facilitates domestic gas development**

Buru Energy Limited is pleased to announce that it has today entered into an agreement with the Western Australian State Government (**State Agreement**) to provide long term tenure over the Company's most prospective acreage and facilitate the development of a domestic gas project and pipeline and, in due course, an LNG development, once sufficient gas reserves are identified.

Highlights

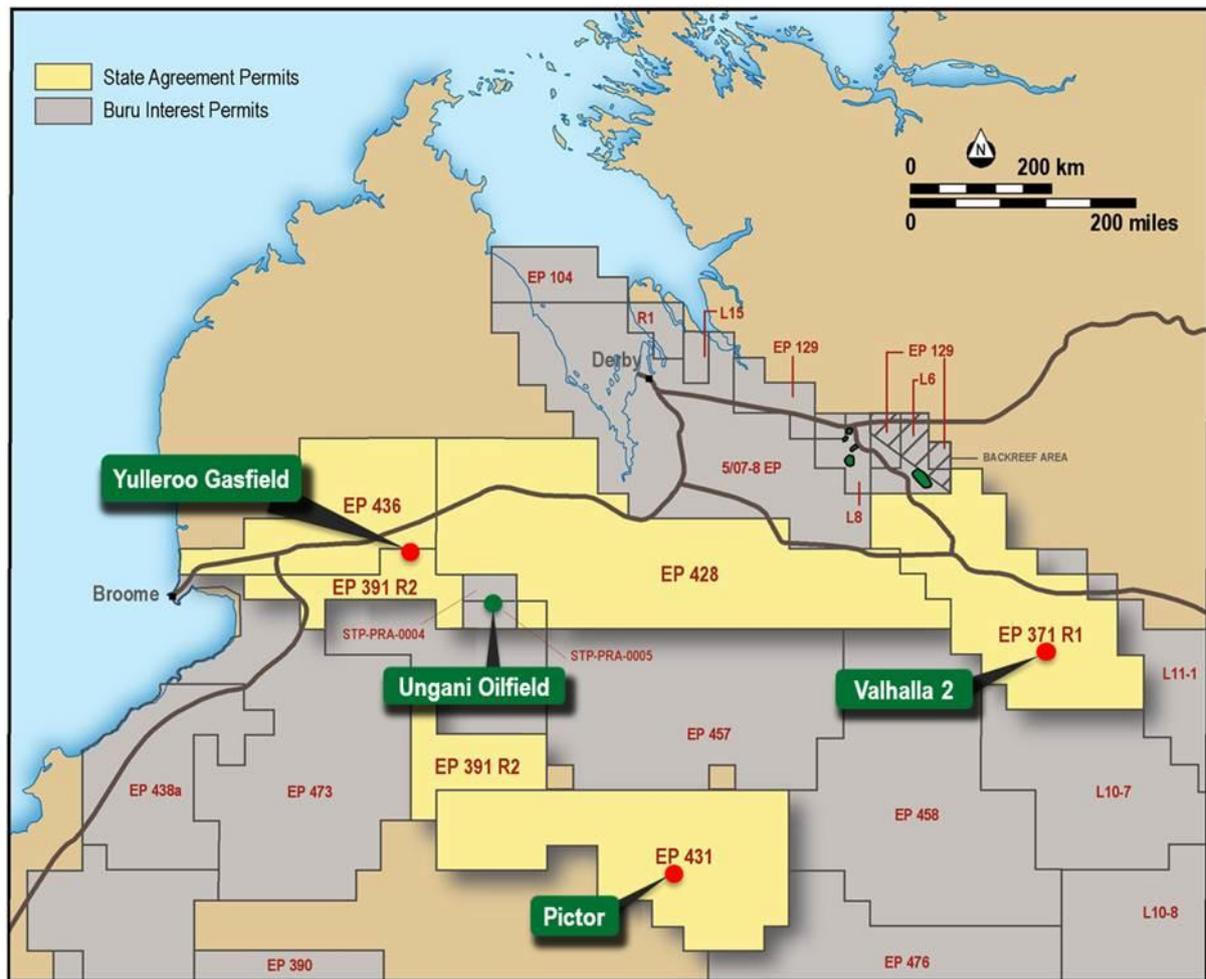
- Buru and Mitsubishi Corporation (**MC**) have executed a State Agreement governing the exploration and development of exploration permits EP 371, 391, 428, 431 and 436 (**Permits**) for 25 years, with an option to extend for a further 25 years.
- The State Agreement is unique, being the first State Agreement covering onshore exploration and development, recognising the unique scale, prospectivity and strategic importance of Buru and MC's Permits in the Canning Superbasin.
- The State Agreement provides a mechanism to relieve the Permits from their existing relinquishment obligations until 31 January 2024, preserving the core areas of the Laurel Formation gas play and the Ungani oil trend.
- The State Agreement allows appraisal work for gas discoveries to be credited against ongoing statutory work commitments for adjacent Permits, allowing work programs to be optimised for the efficient and timely development of the Permits' gas resources.
- The Department of State Development takes on a lead agency role in the development of a domestic gas pipeline, facilitating the timely and effective approval of a domestic gas project providing energy security for Western Australia.
- The State Agreement provides a framework for the development and facilitation of a project to deliver gas to an LNG facility in the Pilbara once sufficient gas has been identified to sustain the domestic gas project.

Commenting on the State Agreement, Buru's Executive Director, Mr Eric Streitberg, said:

"Buru and Mitsubishi have undertaken an extensive exploration and appraisal program in the Canning Superbasin over the past three years. This program has resulted in the identification of potentially world class gas resources, a significant new oil field, and a trend of oil prospectivity. The State Agreement provides a mechanism for us to continue to explore and develop our acreage in the most efficient way.

Our goal is the development of a domestic gas project delivering gas into the existing domestic gas network in the Pilbara, promoting long term energy security for Western Australia. The State Agreement facilitates this. It is an emphatic statement of the strategic importance of the Canning Superbasin and the long term nature of this project. We're very proud that this has been recognised by the State and they have taken the unique step of providing a State Agreement for onshore exploration and development."

The Permits are shown in the following map.



State Agreement

The State Agreement has been entered into between the State of Western Australia, Buru and MC and two of its subsidiaries. The State Agreement was executed this morning by the Premier of Western Australia, the Hon. Colin Barnett, and will be tabled for approval in Parliament in the current sitting. Once approved by the Parliament, the State Agreement will govern the exploration of the Permits and associated development activities for at least 25 years, subject to certain rights of termination able to be exercised by the State, Buru and MC.

The State Agreement provides for each of the Permits to be exempted from the legal requirement to periodically relinquish 50% of the area of the Permits until 31 January 2024, subject to meeting the exploration, appraisal and development obligations under the State Agreement. This provides Buru and MC with a significant extension to the existing permit terms in which to explore, appraise and develop this highly prospective area. Work programs will be able to be optimised by the flexibility given by the State Agreement to credit gas appraisal work on adjacent Permits against ongoing statutory work commitments.

During the term of the State Agreement, Buru and MC have committed to the continued exploration, appraisal and, if technically viable, development of the gas resources of the Permits with the objective of delivering gas into the Western Australian domestic gas market. The State Agreement is targeting the delivery of at least 1,500PJ of gas into the domestic market over 25 years. Buru and MC are required to submit a proposal for the development of a domestic gas project and pipeline by 30 June 2016.

Under the State Agreement the Department of State Development (**DSD**) takes on a lead agency role, working with the other relevant Government agencies, including the Department of Mines and Petroleum, to facilitate the development of the domestic gas project. DSD's role under the State Agreement is an important enabler of the development, providing a mechanism for the co-ordinated and efficient management of the various approval processes required for the development of the domestic gas pipeline and project. The State Agreement also provides a framework for the development of a project to provide gas to an LNG facility in the Pilbara once the domestic gas pipeline and project have been approved.

The Permits

The Permits cover the core of Buru's most prospective acreage, encompassing the Valhalla and Yulleroo gas accumulations and the Ungani oil trend. These areas are expected to be a key focus for Buru and MC's exploration, appraisal and development program over the coming years.

By exempting Buru and MC from the relinquishment requirements in respect of these Permits, the value created by the extensive exploration and appraisal program in the past three years is preserved. The facilitation role played by DSD will allow the Permits to be developed in the most efficient and effective way.

A copy of the media release made today by the Western Australian Premier, the Hon. Colin Barnett, is attached.

Further information on the Company is available at: www.buruenergy.com

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Hon Colin Barnett MLA
Premier; Minister for
State Development

7/11/12

MEDIA STATEMENT

Government secures WA's future energy supply

- **State Agreement facilitates gas exploration and development in Canning Basin**
- **WA gas users to have first use of gas discovered**

Premier and State Development Minister Colin Barnett today announced that the Natural Gas (Canning Basin Joint Venture) Agreement had been signed by the State Government with joint venture partners, Buru Energy Limited and Mitsubishi Corporation.

The State Government will also legislate to facilitate the continued exploration for natural gas in the remote Canning Basin, the development of a gas pipeline to the Pilbara and ensure Western Australian consumers have first use of any gas discovered.

Mr Barnett said there was enormous potential for natural gas in the arid, 530,000sqkm Canning Basin, which stretched from the coast between Port Hedland and Broome, to the State's eastern border.

Last year, the US Energy Information Administration estimated the Canning Basin unconventional gas resources at about 229 trillion cubic feet, which is about one and a half times WA's currently identified offshore resources.

"This agreement will help secure Western Australia's energy supplies for the future," the Premier said.

"It ensures gas discoveries are rapidly brought into production, and that gas is delivered to the State's domestic gas network, before any is exported."

Mr Barnett said natural gas provided about 50 per cent of the State's domestic electricity generation, and contributed to the production of key resource exports including iron ore, alumina, base metals and gold.

"Future development of energy-intensive magnetite production in the Pilbara and the Mid-West and other value-adding and advanced manufacturing opportunities in the State, will benefit considerably from an expansion of WA's domestic gas supply sources," he said.

"Natural gas is also an ideal partner for the State's growing renewable energy production as a back-up in times of adverse weather conditions and peak demand."

The Premier said the agreement provided additional security of tenure for 17,000sqkm (1.7 million hectares) covered by five exploration permits held by the joint venture. These permits anchor the joint venture's Canning Basin Domestic Gas Project, with the agreement facilitating further targeted gas exploration in these permits and the development of a pipeline to transport gas south to existing industrial areas.

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The agreement also provides for potential future gas supply for gas export once the Domestic Gas Project is under development.

“If commercially viable gas resources are discovered, by mid-2016 the partners will be required to submit a plan for construction of the domestic gas project, including a pipeline connecting to the existing State gas network in the Pilbara,” Mr Barnett said.

The Premier said that under the agreement, the partners were still required to obtain relevant State and Commonwealth environmental, safety, indigenous heritage and Native Title approvals for their exploration, development and infrastructure proposals.

Fact File

The agreement, which is for an initial term of 25 years, with a possible 25 years extension, will:

- **encourage investment in a significant exploration and evaluation program to determine the technical and economic viability of the natural gas resources**
- **enable the Government to set firm timetables for development of gas discoveries**
- **ensure domestic gas production and delivery occurs before any gas is supplied for export**
- **ensure an amount equivalent to 15% of any gas processed for export is reserved for domestic use**
- **make available for sale related products such as ethane, propane, butane and condensate, for the possible manufacture of chemicals or use as transport fuel**
- **defer relinquishment conditions of the Petroleum and Geothermal Energy Resources Act 1967 for five key permits**
- **facilitate the development of pipelines and other infrastructure to deliver gas to the State’s domestic gas network**

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