



18 June 2018

Operations Update

Oil Lifting and Sale

Oil from the Ungani Oilfield continues to be trucked to CGL storage Tank 10 at Wyndham Port prior to its FOB sale to Trafigura. On 7 June 2018, 72,722 barrels (gross) were lifted from Tank 10 by Trafigura with the 'Magic Wand' oil tanker.

In accordance with the 21 May 2018 completion date of the recent sale of 50% of the Ungani Oilfield to Roc Oil (Roc), Buru's share of oil produced and sold at this lifting was 58,616 barrels with Roc's share being 14,106 barrels. All future oil production and sales from Ungani will be on a 50/50 basis with Roc.

The gross provisional realised Wyndham FOB revenue value for the cargo was A\$6.55 million or A\$90 per barrel (US\$4.96 million or US\$68/bbl) which represents the realised Brent linked oil price less the fixed marine transport charge. Of these interim receipts Buru's share was A\$5.27m (US\$4.00m). The final realised price will be calculated in accordance with the average Brent price over the month of June.

Roc Transaction Update

Ungani Oilfield – Under the terms of the sale transaction, Buru received \$13 million of the purchase price immediately after the effective date of 21 May 2018, with the remaining \$51 million of the purchase price payable upon the Department of Mines, Industry Regulation and Safety (DMIRS) approval and registration of the Ungani production licence transfers. This registration process is the responsibility of Roc and is currently in progress.

Farmin Transaction – Under the terms of this transaction Roc are acquiring a 50% interest in exploration permits EP391, EP428 and EP436 by paying \$20 million of a \$25 million exploration program commencing later in 2018. This transaction is conditional on the termination, by an Act of the Parliament of Western Australia, of the State Agreement dated 7 November 2012, and this process is also currently underway.

Ungani Oilfield

Ungani field gross oil production has averaged some 2,000 barrels per day during the initial testing phases on the two recent wells, with further progress towards target production rates dependent on planned production enhancements of the two new wells as discussed below. As expected, the water cuts on the two currently pumped wells (Ungani 1ST1 and Ungani 2) have been increasing, which has increased the reliance on the two new wells to maintain oil production levels.

After review and consultation with Roc's technical staff, the Joint Venture will now undertake a structured program to manage the production from the field.

This will include adjusting the producing zones in Ungani 5 where the lowermost zones have, as expected during this initial free flow testing phase, begun to produce minor amounts of water, resulting in reduced amounts of oil being produced on free flow from this well.

Ungani 4 has continued to produce at lower than expected rates and is now unable to produce continuously on free flow. As an interim measure, a beam pump from Buru's inventory will be installed in the well in the next couple of weeks. This should provide additional oil production and information on the response of the well to pumping. The Joint Venture will then make a decision on the best way forward for the well which may include drilling a sidetrack or possibly a horizontal well when the DDGT1 rig becomes available in late August.

The rig will also be utilised at the start of the program to run high volume pumps in the reconfigured Ungani 4 and in Ungani 5 wells to provide both production volumes and flow assurance from these wells.

Near term production and appraisal operations

The new Joint Venture is very focused on maximising production from the field in accordance with prudent reservoir management and good oilfield practice. As part of this focus, the Joint Venture has agreed in the short term to undertake the program in the main field area as set out above.

The Joint Venture has also agreed to the following program of near field activity:

- The perforation, cleanup and production test of the Ungani North 1 well will be carried out in the next few weeks once the appropriate equipment is mobilised to site. The well was drilled in 2012 and a detailed review of the well in the light of the results of Ungani 5 and the other producing wells has identified potential missed pay in the upper part of the Ungani Dolomite which had not been perforated in the previous testing operations. A test program in January 2016 recovered over 200 litres of oil in a short swabbing operation that was terminated for weather and equipment availability issues.
- The planning for production of the oil from the Ungani Far West accumulation is also well advanced. Production from the Ungani Far West 1 well is dependent on longer term injection of produced water into the lower part of the Ungani Dolomite reservoir in the Ungani 3 well rather than the current injection into the lower part of the Ungani Dolomite in the Ungani Far West 1 well. An initial trial of this injection program into Ungani 3 has been successful, but longer term data needs to be acquired. Once this data is to hand, the Ungani Far West 1 well will be reconfigured for production from the upper Ungani Dolomite zone and this production will be incrementally added to the field production.
- Agreement has also been reached for the drilling of the Ungani West structure as the first well in the drilling program subsequent to the planned rig-based Ungani Oilfield program outlined above. Ungani West lies between the Ungani Far West Oilfield and the Ungani Oilfield and if successful could be quickly brought into production through the existing Ungani production facilities.

Exploration program

It is intended that up to four wells will be drilled in the 2018 and 2019 drilling seasons, with the DDGT1 Rig 1 being contracted to drill the wells in the 2018 season.

Agreement has been reached that, as set out above, Ungani West 1 will be drilled first after the rig-based work on the Ungani Oilfield is completed. The Joint Venture has also agreed that the Kurrajong prospect, which has an Ungani Dolomite objective, will be drilled following the Ungani West 1 well.

The Yakka Munga prospect is also scheduled to be drilled in the 2018 program subject to timing and cost considerations.

The 2019 program will include testing of the highly prospective Rafael structure which requires a larger drilling rig. Buru is currently reviewing the market for larger rigs and is also reviewing additional potential drilling locations for a rig with deeper capacity than the DDGT1 rig. The potential for other operators to use and share the mobilisation costs of the larger rig is also being investigated.

Visit www.buruenergy.com for information on Buru Energy's current and future activities.

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Qualified Petroleum Resources Evaluator Statement

Except where otherwise noted, information in this release related to exploration and production results and petroleum resources is based on information compiled by Eric Streitberg who is an employee of Buru Energy Limited. Mr Streitberg is a Fellow of the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors, and a member and Certified Petroleum Geologist of the American Association of Petroleum Geologists. He has over 40 years of relevant experience. Mr Streitberg consents to the inclusion of the information in this document.