



21 May 2018

## **Oil Focused Canning Basin Transactions Strengthen Balance Sheet and Advance Exploration**

Buru Energy Limited (Buru) (ASX: BRU) is pleased to announce it has entered into two transformational transactions with Roc Oil (Canning) Pty Limited (Roc Oil) in relation to its Canning Basin oil production and exploration assets.

### **Transaction Highlights**

- Roc Oil has agreed to buy a 50% interest in the Ungani production licences L20 and L21 (the Ungani Oilfield) for a total cash payment of \$64 million (Ungani Sale).
- The parties have also agreed that Roc Oil will acquire a 50% interest in exploration permits EP 391, EP 428 and EP 436 (Permits) by paying \$20 million of a \$25 million exploration program of up to four wells (Farm-in Transaction).
- The Farm-in Transaction does not include the Laurel Formation unconventional gas accumulation within the Permits (Unconventional Gas Assets) which will remain 100% owned by Buru. The Unconventional Gas Assets include the Yulleroo Gasfield.

Buru will remain as operator of the Ungani Oilfield, the Permits and the Unconventional Gas Assets.

Roc Oil is a wholly owned subsidiary of Roc Oil Company Limited (ROC), an Australian based company with assets in China and Malaysia. ROC is an oil focused, wholly owned subsidiary of Fosun International Limited, listed on the Hong Kong Stock Exchange. Further information on ROC is set out below.

These two transactions strengthen the Company's balance sheet and provide the funding to allow it to undertake an aggressive exploration program commencing during this year's Canning Basin drilling season.

Further details about the transactions and the applicable conditions are set out below and in Attachment 1.

### **Sale of interest in Ungani Oilfield**

Buru currently holds 100% of the Ungani Oilfield (production licences L20 and L21) which includes the current producing wells at Ungani and the associated facilities, the oil discovery at Ungani Far West 1, the Ungani North 1 appraisal potential, and a number of subsidiary prospects, one of which, Ungani West, is planned to be drilled this year. The Ungani Oilfield is currently producing in excess of 2,600 barrels per day of high quality oil from four production wells, two of which were drilled in late 2017/early 2018 and have recently been put on production.

Roc Oil has agreed to buy a 50% interest in the Ungani Oilfield for a total purchase price of \$64 million. Buru will receive \$13 million of the purchase price immediately, 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. Further details about the purchase price and the other key terms and conditions of the agreement are set out in Attachment 1.

### **Farm-in Transaction**

Buru currently holds 100% of the Permits (EP 391, EP 428 and EP 436) as shown on the attached map. The Permits cover a significant part of the prospective Ungani conventional oil trend.

The terms of the Farm-in Transaction oblige Roc Oil to pay \$20 million of a \$25 million exploration program to be undertaken by the parties and for Roc Oil to acquire a 50% interest in the Permits, including all conventional oil and gas in the Permits. Further details of the Farm-in Transaction are set out in the attachment.

It is intended that up to four wells will be drilled in the 2018 and 2019 drilling seasons with the wells to be drilled in the 2018 season by the DDGT1 Rig 1 to include the Ungani Dolomite conventional oil prospects at Kurrajong and Ungani West. The Yakka Munga prospect is also scheduled to be drilled in the 2018 season subject to timing and cost considerations. It is intended that the Rafael prospect will be drilled in the 2019 drilling season with an appropriate larger rig. Further details of these prospects will be made available prior to the drilling program commencing.

### **Unconventional Gas Assets**

Under the terms of the Farm-in Transaction, Buru will retain the unconventional gas in the Laurel Formation within the Permits including the Yulleroo Gasfield. Buru and Roc Oil have agreed the principles of a Co-ordination Agreement to govern Buru's activities in relation to the Unconventional Gas Assets and the joint activities of Buru and Roc Oil within the area of the Permits.

Buru has previously undertaken a comprehensive evaluation of the unconventional gas potential of the Laurel Formation in the Canning Basin, including an extensive program on the Yulleroo Gasfield where it has drilled three wells and undertaken a hydraulic stimulation (frac) program in the Yulleroo 2 well with encouraging results.

A recent independent evaluation of the gas and liquids resources of the Yulleroo Gasfield by RISC determined 2C Contingent Resources net to Buru of some 714 petajoules of recoverable gas with 24.9 MMbbls of associated liquids. Refer to Buru's ASX release of 18 January 2018<sup>1</sup> for full details. The development of this resource will require the gas bearing Laurel Formation to be hydraulically stimulated (fraced) and the Western Australian Government has introduced a moratorium on fracking in Western Australia while an Independent Scientific Inquiry is carried out. This Inquiry is due to report by the end of 2018.

### **Buru's Executive Chairman Eric Streitberg said:**

*"We are delighted to have formed a partnership with a highly experienced Australian based oil and gas company that has strong and aligned backing. The transaction recognises the strategic value and prospectivity of the Company's Canning Basin assets and Buru's expertise and knowledge as operator in that area since 2006. It is also significant in that it provides Buru with the balance sheet strength to further develop the Company's assets from internal resources in the short to medium term. The exploration program will enable us to potentially replace and increase our oil resources and also allow us to drill the deeper higher value oil targets such as Rafael on an appropriately promoted cost sharing basis.*

*The transactions place Buru on a strong footing that comes on the back of its very successful program in 2017 and we look forward to the future with confidence with our new partner."*

## **About ROC**

Roc Oil Company Limited (ROC) is one of Australia's leading independent upstream oil and gas companies with a presence in China and South East Asia. The Company operates across the full range of upstream business activities from exploration and appraisal to development and production delivery.

The Company has a workforce of approximately 120, located in offices in China, Australia and Malaysia.

Incorporated in Australia, ROC listed on the Australian Securities Exchange (ASX) in 1999. Transcendent Resources Limited (a wholly owned subsidiary of Fosun International Limited) (Fosun) made an off market takeover bid for ROC that was completed in January 2015, and ROC has subsequently continued to operate as an upstream oil and gas company under Fosun International Limited. The Fosun group's principal business is to create customer-to-maker (C2M) ecosystems in health, happiness and wealth, providing high quality products and services including access to sustainable and affordable energy for families around the world.

## **Advisers**

Buru was advised by Ocean Reach Advisory for the transactions.

## **Notes**

1. Buru is not aware of any new information or data that materially affects the information included in that ASX release and all material assumptions and technical parameters underpinning the estimates in those releases continue to apply and have not materially changed.

## Attachment 1

### Details of the transactions in accordance with ASX Guidance Note 8

#### A. Parties to the agreements are:

Buru Energy Limited (Buru)  
Roc Oil (Canning) Pty Limited (Roc Oil)  
Roc Oil Company Limited (ROC)

#### B. The assets the subject of the transactions with before and after holdings:

Permit	Registered Holder before Transaction	Permit Type	Registered Holder after Transaction
<b>Exploration Permits</b>			
EP391	Buru 100%	Exploration Permit	Buru 50% and Roc Oil 50%
EP428	Buru 100%	Exploration Permit	Buru 50% and Roc Oil 50%
EP436	Buru 100%	Exploration Permit	Buru 50% and Roc Oil 50%
Roc Oil's rights to the exploration permits excludes Unconventional Gas.			
<b>Ungani Production Licences</b>			
L20	Buru 100%	Production License	Buru 50% and Roc Oil 50%
L21	Buru 100%	Production License	Buru 50% and Roc Oil 50%

#### C. Summary of key contractual matters

##### Sale and Purchase Agreement (SPA) – Ungani Oilfield

1. Completion of the transaction occurred on signing of the SPA on 21 May 2018.
2. Purchase Price of \$64 million payable as follows:
  - First Instalment of \$13 million which was paid by Roc Oil on signing of the SPA.
  - Final Instalment of \$51 million payable within five business days of the last to occur of: (1) the date the Ungani production licence transfers are approved and registered under the Petroleum and Geothermal Energy Resources Act 1967 (WA); and (2) novation of a contract relating to the sale of the oil from Ungani.
  - The Final Instalment is subject to interest payable as from Completion under the SPA.
3. Buru is to retain operatorship of Ungani.
4. On Completion, a joint venture will be created which will be governed by a joint operating agreement that will be negotiated in accordance with agreed principles.
5. The SPA includes warranties and limitation of liability clauses standard for a transaction of this nature. Roc Oil will be liable for its share of all rehabilitation liabilities.
6. Condition subsequent - If the transfer of the Ungani licences is not approved and registered within 12 months after Completion (or longer to conclude any actions before the State Administration Tribunal), either party may terminate the transaction and if this was to occur, the parties are to be restored to the position they would have been in before entering the SPA.
7. ROC guarantees payment of the purchase price and any adjustments.

### **Farm-in Agreement (FIA) – Exploration Permits EP391, EP428 and EP436**

1. Conditions Precedent – The transaction is conditional on completion of the sale of the Ungani Oilfield (which has now occurred) and the termination of the State Agreement dated 7 November 2012 being ratified by an Act of the Parliament of Western Australia.
2. Completion will occur within five (5) business days of satisfaction of the conditions precedent.
3. Upon Completion, Roc Oil will be assigned a 50% interest in the Exploration Permits with an obligation to pay 80% of a \$25 million exploration expenditure program (i.e. \$20 million) (Farm-in Amount), with Buru to fund the 20% balance (i.e. \$5 million). Upon the \$25 million farm-in expenditure cap having been spent, all future joint venture expenditure will be made at the respective working interest levels (i.e. 50%/50%).
4. Buru will retain 100% of Unconventional Gas in the Laurel Formation within the Exploration Permits (UG Rights). Roc Oil has a right of first refusal in relation to the UG Rights.
5. On Completion, a joint venture will be created which will be governed by a joint operating agreement that will be negotiated in accordance with agreed principles.
6. Buru will remain operator of the Exploration Permits. A separate Co-ordination Agreement will govern the operations and rights and obligations between the joint venture parties and Buru as 100% owner and operator of the UG Rights.
7. If Roc Oil does not meet its obligation to pay the Farm-in Amount, Roc Oil will transfer its 50% interest in the Exploration Permits back to Buru for \$1 and will forego any portion of the Farm-in Amount already paid by Roc Oil.
8. The FIA terms include warranties and limitation of liability clauses standard for a transaction of this nature.
9. Condition subsequent - If the transfer of the Exploration Permits is not approved and registered within 12 months of Completion (or longer to conclude any actions before the State Administration Tribunal), either party may terminate the transaction and if this was to occur, the parties are to be restored to the position they would have been in before entering the FIA.
10. ROC guarantees the obligations of Roc Oil under the agreement except for the obligation to pay the Farm-in Amount.

#### **D. Commercial implications**

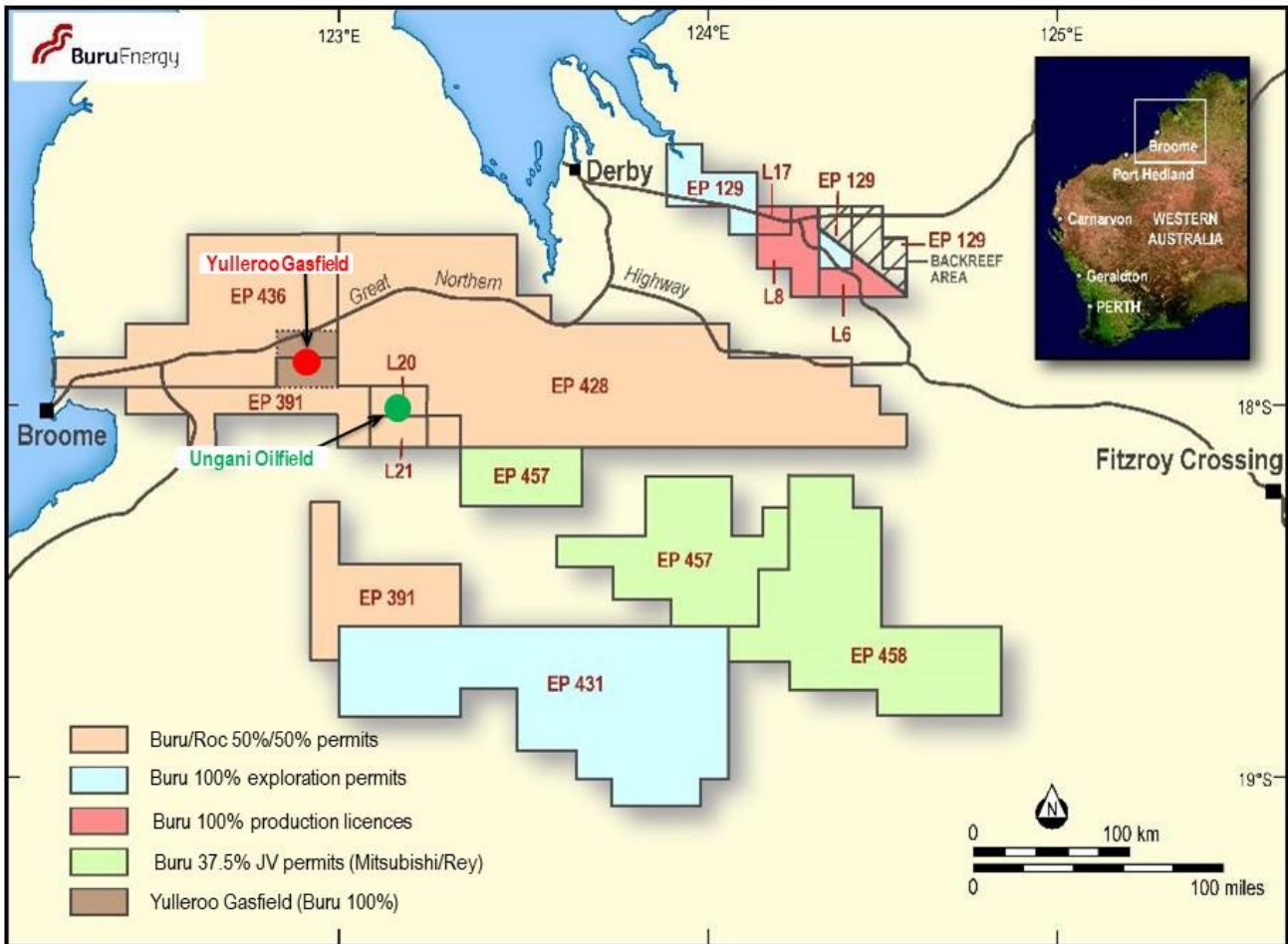
Buru and Roc Oil will now each be entitled to 50% of the income and be responsible for 50% of all operating and capital costs (development and exploration) in relation to the Ungani Oilfield and the other fields and prospects within the Production Licences. The drilling of the Ungani West 1 exploration well in Production Licence L21 has been included as part of the Farm-in funding arrangement pursuant to the FIA.

#### **E. Other matters**

The transactions do not involve the issue of securities or changes to the Board or management of Buru.



## Attachment 2 Map of transaction permits



Visit [www.buruenergy.com](http://www.buruenergy.com) for information on Buru Energy's current and future activities.

### For investor inquiries please contact Buru Energy:

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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.