

ASX Announcement

11 April 2014

Operations Update

Buru Energy Limited (Buru) is pleased to provide the following update on the Company's operations.

Summary

- Production of oil in the Ungani Central Field area continues solidly with 74,000 bbls of oil produced from Ungani 2 since the Extended Production Test (EPT) recommenced in December with zero water cut and no pressure depletion, which significantly exceeds modelled expectations of reservoir performance.
 - The second 38,000 bbl shipment of crude has been exported from Wyndham on schedule and budget.
 - Terms for the third shipment to be sold into Singapore have now been concluded.
 - The Ungani 3 appraisal well was completed in March. Whilst the Ungani 3 well penetrated the top Ungani Dolomite 20m higher than Ungani 1 and contained an oil saturated Ungani Dolomite section over a 70m interval, the vuggy dolomite present in the Central Field area was not penetrated at the Ungani 3 location. Ungani 3 did however contain a number of fractures, which appear oil saturated including one zone below the free water level in Ungani 1 & 2. Follow up testing will be conducted to determine the performance of the well for recovery of oil and for disposal of produced water.
 - Further appraisal drilling planned at the Ungani field has been put on hold pending the incorporation of the results of the Ungani 3 well, the production history from the EPT, and remapping of the Ungani structure utilising the final processing results from the Ungani 3D seismic survey.
 - Following the results of Ungani 3 the 2014 exploration drilling program is being reviewed.
 - The two wells in the coastal exploration areas subject to the farmin by Apache have been confirmed and locations selected by the joint venture. These wells will be funded by Apache and will be drilled with a smaller lower cost rig due to the shallower targets.
 - Up to 1,000km² of 3D seismic and 1,000km of 2D is being planned in 2014 along the Ungani trend. This data will be used to define, rank and select a multiple Ungani lookalike drilling program. As a result of this decision, Buru is in negotiations with the operator of the Crusader rig in relation to the rig's release.
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- The four well stimulation for the Laurel gas evaluation program is progressing as planned with field activities expected to commence June/July subject to final approvals. Good progress has been made with the regulatory process and community consultation. Contracts for the program are currently being finalised to allow implementation upon receipt of all the required approvals.
- The Ungani North 1 test is scheduled to occur in the second quarter, linked to mobilisation of equipment for the Ungani 3 well testing program activity.

Crude Shipping

- The second 38,000 bbl shipment of crude has been exported from the Wyndham facilities on schedule and budget.
- Terms for the third shipment to be sold into Singapore have now been concluded. Sales of crude into Singapore will reduce shipping times from a shorter round trip allowing a higher daily production rate and reduced bunker costs.

Ungani 3

The Ungani 3 appraisal well was completed in March and was drilled to a total depth of 2,547m. The well was deepened to test the Nullara dolomite and has been cased and suspended to allow future testing for oil recovery and also water injection below the oil saturated interval. Whilst the Ungani 3 well penetrated the top Ungani Dolomite 20m higher than Ungani 1 and contained an oil saturated Ungani Dolomite section over a 70m interval, the vuggy dolomite present in the Central Field area was not penetrated at the Ungani 3 location. Ungani 3 did however contain a number of fractures, which appear oil saturated including one zone below the free water level in Ungani 1 & 2.

2014 Drilling Program

Following the drilling of the Ungani 3 well Buru has undertaken a review and ranking of the prospects along the Ungani trend utilising 3D seismic survey results. In addition a detailed cost review and contracting program is underway to consider the best option for undertaking the Ungani exploration trend drilling program planned for 2014. The locations for the two coastal wells funded under the Apache farm in have been selected and a lower cost smaller rig is being sourced due to their shallower targets and lower technical requirements to achieve the drilling results. These wells are scheduled for the third quarter. Accordingly, Buru is in negotiations with the operator of the Crusader rig in relation to the rig's release.

3D Seismic Survey Results Update

Reprocessing of test lines between the Ungani 1, 2 and 3 wells from the 2013 Ungani 3D data set has been undertaken at a processing centre in the US that specialises in land processing. This reprocessing of test lines resulted in a dramatic improvement in the imaging of the Ungani structure. The entire data set is consequently being reprocessed ahead of any new drilling on the Ungani structure. The reprocessed results provide much greater definition at reservoir level and an ability to be substantially more predictive.

Ungani 1 and 2 Extended Production Test Update

Ungani 2 continues to produce dry oil at rates of up to 1,500 bbl/d with no decline in the strong flowing tubing head pressure seen since well clean-up in December 2013. Since the start of the EPT this well has produced 74,000bbls without cutting water, a very encouraging result given the well location on the northern flank of the Ungani field.

Clean up of Ungani 1 will continue this week after the well was shut in for the latter part of the wet season due to poor road access conditions and water handling limitations due to the weather. Ungani 1 is more centrally located in the field than Ungani 2 and has the potential to provide a similar strong flow of dry oil. The workover on Ungani 1 involved a more complex dual completion with the ability to both produce from the shallower oil zone and re-inject any produced water back into the deeper zone.

Testing of Ungani 3 is scheduled to occur in the second quarter. It is planned to test the upper zone of the Ungani dolomite to determine if any oil flows can be obtained from the formation. The lower section of the dolomite will also be investigated as a potential water disposal zone which would free up the Ungani 1 well to become a dedicated oil producer.

Studies to determine the scope of facility upgrades required to move from a temporary EPT at Ungani to long term production are approaching their conclusion. These will support an investment proposal to upgrade and increase capacity in the field facilities before year end as planned from the Ungani Central Field area. Work is also continuing with the Broome Port Authority to establish an export route through the Broome Port which would significantly reduce trucking distances and facilitate larger oil export cargoes. Upgraded field facilities, shorter trucking distances and larger export cargoes will all reduce operating costs from the field and derive maximum value from full field oil flows.

The Ungani North 1 test is still scheduled to occur, with timing linked to mobilisation of equipment for the well testing program at Ungani 3. The test configuration is being finalised to ensure that the test is definitive and takes into account analysis of the recent Ungani 3 well. Any production will be tied to the Ungani facilities.

The planned independent reserves report will be conducted following the completion of the remapping of the 3D data set, testing of the Ungani 3 and Ungani North 1 wells and will incorporate the results of the EPT being conducted over the central Ungani Field area. This analysis is scheduled for mid year at which time the results of the Broome export option should be known. These analyses are important for the final investment decision for the full field development and submission of the production license for the field.

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About Buru

Buru Energy Limited (ASX Code BRU, ASX 200) is a Western Australian oil and gas exploration and production company. The Company's petroleum assets and tenements are located onshore in the Canning Basin in the southwest Kimberley region of Western Australia. In joint venture with its international partner, Mitsubishi Corporation, the Company explores for, develops and produces oil and gas. Its assets include the flagship high quality conventional Ungani Oilfield project which is currently under development, and potentially world class unconventional gas and oil resources.

The Company is headquartered in Perth with an operational office in Broome. Its goal is to deliver material benefits to its shareholders, the State of Western Australia, the Traditional Owners of the areas in which it operates, and the Kimberley community, by successfully exploring for and developing the petroleum resources of the Canning Basin.