

Quarterly Report

Period ended 30 September 2014



ASX:BRU

The Directors of Buru Energy Limited (“Buru Energy”) are pleased to provide the quarterly report for the quarter ended 30 September 2014.

Highlights

- **Production and sales** - Year to date production of 230,256 bbls of oil. Six shipments totalling 215,163 bbls sold giving the Joint Venture year to date sales revenue of \$21.8 million (net to Buru Energy \$10.9 million).
- **First phase of the workover of Ungani 1ST1 successfully completed** - increasing production rate and decreasing water cut. Second phase now underway.
- **Appraisal and Exploration Program** - Acquisition of 988kms of 2D seismic was completed and acquisition of the Jackaroo 3D seismic commenced. The seismic data is aimed at maturing oil drilling targets for 2015 and to meet permit commitments.
- **The exploration drilling program and Phase 1 TGS activity** - commencing in the upcoming quarter.
- **Capital Raising** – A Share Placement and Share Purchase Plan at an issue price of \$0.75 raised \$31.1 million before costs. The Company is now fully funded through the end of 2015 and about to start an exciting exploration and appraisal program.

Production and Development

Ungani EPT (Extended Production Test)

The production from the Ungani Extended Production Test to date is as follows:

- **Production Test Phase 1** - 31 May 2012 to 30 March 2013: 101,278 bbls
- **Production Test Phase 2** - 9 December 2013 to 30 September 2014: 241,727 bbls

Six shipments totalling 215,163 bbls have been made from the Port of Wyndham giving year to date Joint Venture sales revenue of \$21.8 million (net to Buru Energy \$10.9 million). The oil has all been sold into Asian refineries under the marketing agreement between Buru Energy and Mitsubishi. The seventh shipment of a further 38,800 bbls has now been sold and was lifted on 12 October 2014.

Subsequent to the Phase 1 workover of Ungani 1ST1, the overall average field production rate is currently being constrained to ~1,250 barrels of oil per day which is the most efficient rate with the current transportation configuration. Further production testing and pressure monitoring of both Ungani 1ST1 and Ungani 2 will be necessary to calibrate the dynamic modelling of the field, with the well performance currently exceeding modeling predictions.



Ungani 2 well head and Buru Energy field operator



Load out of Ungani crude at Wyndham Port

Field Status

Ungani 1ST1

The first phase of the Ungani 1ST1 workover was undertaken during the quarter with the running of a downhole plug and acquisition of a cement bond log with encouraging results. A series of production tests were subsequently carried out which returned stable production rates of ~1,600 barrels of oil per day (~2,400 barrels of fluid per day) at well head pressures of ~160 psi, with the water cut slowly decreasing from 30% to ~25%. During the production tests there was no discernible “back out” or interference with Ungani 1ST1 which is again a very encouraging outcome.

The second phase of the workover has commenced which includes the placement of a cement plug to attempt to fully isolate the water leg and allow production of dry oil. Dry oil production without the influence of water from the underlying formation water zone will provide pressure and production data needed to calibrate the dynamic model, and will also allow more efficient production operations.

Ungani 2

Ungani 2 is continuing to be produced at stable rates of ~810 bopd of oil with Ungani 1ST1 being used as the “swing” producer to meet production targets. The watercut in the Ungani 2 well is slowly increasing from ~2.8% to ~3.5% which is less than current modeling predictions and therefore positive for future reservoir performance.

Ungani North 1

The DDH1 rig has been mobilised to the basin and it is planned to undertake the first stage of the Ungani North 1 production test while the Commodore 1 well civil work is completed. The first stage of the test will involve conditioning the fluid in the well and running a completion string. Once this is completed the rig will move to Commodore 1, and the Ungani North 1 well will be perforated and tested.

Ungani 3

If required, a re-completion to fully isolate the water zone will be undertaken to allow a definitive test of the upper zone from which oil was swabbed in the recent test.

Facilities

The Ungani facility upgrade planning continued with further investigation of the use of reconditioned equipment and full utilisation of existing equipment. The upgrade will be undertaken in stages to ensure fit for purpose facilities at lowest cost.

Negotiations for access to the Port of Broome for export of oil are continuing and are a priority for the Joint Venture.

Negotiations with Nyikina Mangala and Yawuru in relation to the production licence agreement for Ungani have continued and negotiations with Yawuru in regard to conditions for the 2015 TGS (Tight Gas Pilot Exploration Program) have commenced.

Blina and Sundown Oil Fields

The Blina and Sundown oil fields remained shut-in during the quarter with a review of forward operations at the fields being continued.

Exploration

The principal exploration activities during the quarter included:

- Completion of the 2014 2D seismic program and commencement of the 3D seismic program.
- Preparation for the upcoming drilling program.
- Preparation for TGS (Laurel Formation Tight Gas Pilot Exploration Program) Phase 1.

Seismic program

In October the Company completed acquisition of the 2014 2D seismic program and commenced acquisition of the Jackaroo 3D seismic program. The 2014 seismic programs are designed to mature drilling targets for 2015 and to meet permit commitments.

2D seismic program: The Terrex seismic crew has now completed the acquisition of the following seismic surveys:

Survey	Kilometres	Funding
Commodore West 2D	123	Apache farmin (Buru nil)
Mt Fenton 2D	112	Buru 41.6%
Barbwire 2D	246	Apache farmin (Buru share 10%)
Mt Rosamund 2D	507	Apache farmin (Buru share 10%)
Total 2D surveys	988	

3D seismic program: Acquisition of the Jackaroo 3D seismic program has commenced. The survey is located between the existing Yulleroo and Ungani 3D grids and will join the two grids to give seamless 3D coverage from Yulleroo to Ungani. It covers the currently identified Jackaroo prospect and a number of other oil prospects along trend.



Seismic vibrators at Commodore West survey



Seismic line crew

Exploration drilling



During the quarter, Buru Energy, with the approval of the Joint Venture (including Apache for the coastal wells), entered into a fixed price drilling contract with DDH1 Drilling (www.ddh1.com.au) for the use of DDH1 Rig #31, a UDR5000 highly mobile mineral rig which has been converted for oil and gas operations.

The DDH1 Drilling rig has been released from its previous program for another operator and is currently being rigged up at the Ungani North 1 well prior to running the completion for the well test.

It is expected that the use of this rig will result in a material decrease in drilling costs. Although the DDH1 rig is ideally suited for exploration wells, production drilling on discovered fields is likely to still require a standard oil field rig.

Coastal wells: The Coastal farmout to a subsidiary of Apache Energy Limited (Apache) in November 2013 included the commitment by Apache to fund a \$25 million exploration program on EP 390, 438, 471 and 473 (Coastal Permits). Two wells have been scheduled for the Coastal Permits in 2014. Both wells will be funded by Apache as part of its \$25 million expenditure commitment on the Coastal Permits and both wells have been fully approved by all Joint Venture parties.

Approvals are in place for the drilling of the first coastal well, Commodore 1, and construction of the road and pad is now being completed. DDH1 have in the past drilled wells in the Commodore area to similar depths (~1,500 metres) for mineral exploration companies (Admiral Bay lead zinc exploration).

At the completion of Commodore 1 the rig will then be available to drill the second coastal well, Olympic 1.

Fitzroy Trough exploration wells

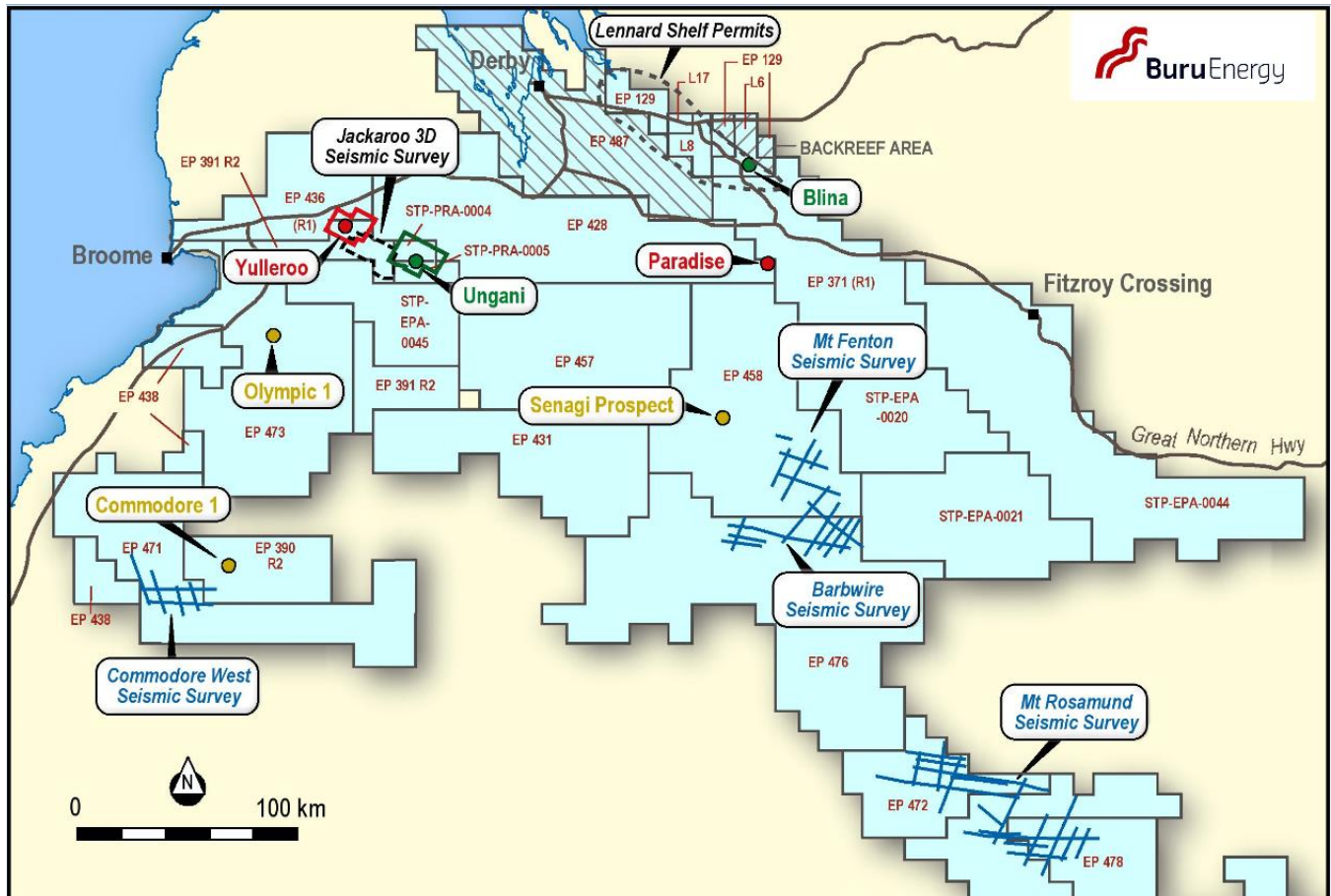
Lennard Shelf: Buru Energy holds a number of permits and production licences with 100% equity in this area of historic oil production. The area has received little attention since Buru Energy's acquisition of the first 3D seismic survey in the basin and the drilling of two shallow exploration wells in 2010.

Advances in geological understanding, including the identification of the potential presence of the Ungani Dolomite equivalent play on this northern side of the basin have revitalised interest in the area. A number of shallow, high value oil targets have been identified as well as several innovative high value plays. The Company is currently in advanced discussions in regard to a farmin to this permit for the drilling of a well in this year's program.

Ungani trend: The Company has identified a number of shallow oil prospects on the greater Ungani trend and recent seismic data acquisition and geological and geophysical interpretation has highlighted the prospectivity of this region.

The Senagi prospect in EP 458 is a shallow (~800 metre) structural target which is updip from a mineral borehole (Camelgooda 1) that encountered a well developed Ungani Dolomite reservoir equivalent with significant oil shows.

Planning for this drilling program is well advanced and the heritage clearance for the site has recently been received. The environmental approval process is currently in progress. Given the timing of other activities and the need to complete drilling programs on other areas, it is now likely that this well will have to be drilled after the wet season, early in the second quarter next year.



Location of current Buru Energy activity in the Canning Basin

TGS (Laurel Formation Tight Gas Pilot Exploration Program)

In accordance with the three phase approach that has been adopted for this project, the Phase 1 activity has commenced and is progressing well. Necessary earth works have been completed at the Asgard and Valhalla North sites and are planned for the Yulleroo site.

The Company notes the presence of a protest camp at the entrance to the Yulleroo access road. However, this action has had no impact on operations to date. The Company also notes its continuing engagement with the Yawuru Board in relation to its operations at the Yulleroo site, including essential maintenance and environmental monitoring activity.

Corporate

Share Placement and Share Purchase Plan

During September the Company raised \$28.1 million via a placement of 12.5% of its equity capital to a new cornerstone shareholder and existing institutional and sophisticated investors. \$20 million of the Placement was subscribed by Coogee Chemicals Pty Ltd and its holding company, Chemco Pty Ltd (together Coogee Chemicals), with the balance subscribed by current Buru Energy eligible sophisticated investors and institutional shareholders. Following completion of the Placement, Coogee Chemicals became a substantial shareholder in Buru Energy. The Placement was at \$0.75 per share which was a discount of 2% to the closing price prior to the trading halt for the capital raising.

An accompanying Share Purchase Plan ("SPP") at the same price of \$0.75 per share closed on Friday 17 October 2014 with a total of 3,986,550 new shares issued to 376 shareholders raising \$3.0 million. The combined share placement and SPP raised at total of \$31.1 million before costs and the Company is now fully funded through the end of 2015.

General

The Company was successful in a recent tender for the Yakka Munga pastoral lease that includes the area of the Ungani facility. The transaction is conditional on the government approving the transfer of the pastoral lease. Provided the relevant government approval is obtained, the Company intends entering into an arrangement with an experienced local cattle station operator to manage the station and assist in co-ordination of the station's operations and the on-ground activity of the Joint Venture. After planned financing and lease management arrangements are put in place the net impact of this transaction on the Company's cash position is expected to be approximately \$3.5 million.

The Company has continued its process of corporate restructuring with a focus on cost saving initiatives and operational efficiencies as it prepares for the upcoming drilling and workover programs.

Financial

The ASX Appendix 5B attached to this report contains the Company's cash flow statement for the quarter ended 30 September 2014. The material elements of the cash flow in the period were:

- Exploration expenditure of \$3.9m for the quarter (June 2014 \$5.0m), comprising costs primarily associated with the continuation of the 2014 seismic programs as well as preparation for the drilling program and TGS Phase 1.
- Ungani development expenditure of \$1.3m for the quarter (June 2014 \$1.3m), the majority of which were costs associated with Ungani field facilities engineering and the ongoing negotiations with Traditional Owner groups for the agreement related to the grant of a Production License.
- Ungani production operating expenditure of \$2.2m for the quarter (June 2014 \$2.7m). Cash inflows from sales of Ungani crude during the quarter were \$4.0m giving net cash inflow from Ungani production of \$1.8m.
- Administration and corporate costs of \$2.8m for the quarter (June 2014 \$3.5m), a decrease from prior periods reflecting the effect of staff and cost reduction initiatives and internal re-organisation implemented in the June quarter.

The Company recorded a net cash inflow of \$24.3m for the quarter (June 2014 net cash outflow \$17.1m) and at the end of the quarter had net cash reserves of \$61.9m.

The Company is forecasting a net cash outflow of some \$10.9m in the December 2014 quarter including:

- **Exploration** - \$9.5m of exploration costs are estimated to be payable in the December 2014 quarter, including costs associated with TGS Phase 1, ongoing costs associated with the 2014 2D and 3D seismic programs and the planned test of Ungani North 1. This amount includes an anticipated further \$1.9m to be drawn down from the cash held in escrow on behalf of Alcoa for funding costs associated with TGS Phase 1.
- **Development** - \$1.0m is estimated to be payable in the December 2014 quarter including costs associated with the continued Traditional Owner negotiations, preparations for the full field development decision and workover of Ungani 1 ST1.
- **Production** - \$2.8m of production costs are estimated to be payable in the December 2014 quarter, being the operating costs for the Ungani EPT with cash inflows from sales estimated at \$4.9m giving forecast net cash inflows of \$2.1m for the upcoming quarter.
- **Administration and Corporate** - \$2.5m in administration and corporate costs are estimated to be payable in the December 2014 quarter.

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

For inquiries please contact Buru Energy:

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About Buru Energy

Buru Energy Limited (ASX: BRU, S&P/ASX300) is a Western Australian oil and gas exploration and production company headquartered in Perth with an operational office in Broome. The Company's petroleum assets and tenements are located onshore in the Canning Basin in the southwest Kimberley region of Western Australia. Its flagship high quality conventional Ungani Oilfield project is owned in 50/50 joint venture with Mitsubishi Corporation. As well as Ungani, the Company's portfolio includes potentially world class tight gas resources.

The company's 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 in an environmentally and culturally sensitive manner.

Schedule of interests in permits as at 30 September 2014

PERMIT	TYPE	OWNERSHIP	OPERATOR	LOCATION
L6	Production license	100.00%	Buru Energy Ltd	Canning Basin, WA
L8	Production license	100.00%	Buru Energy Ltd	Canning Basin, WA
L17	Production license	100.00%	Buru Energy Ltd	Canning Basin, WA
EP129	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP371	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP390	Exploration permit	25.00%	Buru Energy Ltd	Canning Basin, WA
EP391	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP428	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP431	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP436	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP438	Exploration permit	25.00%	Buru Energy Ltd	Canning Basin, WA
EP457	Exploration permit	37.50%	Buru Fitzroy Pty Ltd	Canning Basin, WA
EP458	Exploration permit	37.50%	Buru Fitzroy Pty Ltd	Canning Basin, WA
EP471	Exploration permit	25.00%	Buru Energy Ltd	Canning Basin, WA
EP472	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP473	Exploration permit	25.00%	Buru Energy Ltd	Canning Basin, WA
EP474	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP476	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP477	Exploration permit	50.00%	Buru Energy (Acacia) Pty Ltd	Canning Basin, WA
EP478	Exploration permit	50.00%	Buru Energy (Acacia) Pty Ltd	Canning Basin, WA
PL7	Onshore pipeline license	100.00%	Buru Energy Ltd	Canning Basin, WA

Glossary

2D	Two Dimensional
3D	Three Dimensional
bbls	Barrels of oil
Bopd	Barrels of oil per day
Buru Energy or the Company	Buru Energy Limited (ASX code: BRU)
DMP	Western Australian Department of Mines and Petroleum
EPT	Extended production test
FID	Final Investment Decision
TGS	Laurel Formation Tight Gas Pilot Exploration Program
Mitsubishi or MC	Mitsubishi Corporation
SPP	Share Purchase Plan

Competent Persons Statement

Information in this release related to exploration and production results and petroleum resources is based on information compiled by Eric Streitberg who is the Executive Chairman 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 38 years of relevant experience. Mr Streitberg consents to the inclusion of the information in this report.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 1/6/10, 17/12/10, 1/5/13

Name of entity

BURU ENERGY LIMITED

ABN

71 130 651 437

Quarter ended ("current quarter")

30 September 2014

Consolidated statement of cash flows

	Current quarter \$A ('000)	Year to date (9 months) \$A ('000)
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	3,978	10,454
1.2 Payments for		
(a) exploration & evaluation	(3,894)	(20,672)
(b) development	(1,343)	(2,612)
(c) production	(2,212)	(7,171)
(d) administration	(2,801)	(9,398)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	258	978
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Payments for restoration to existing producing assets	-	-
Net operating cash flows	(6,014)	(28,421)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) fixed assets	(11)	(939)
1.9 Proceeds from sale of:		
(a) fixed assets	-	-
(b) shares	-	750
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Withdrawal of cash held in escrow	2,715	2,715
Net investing cash flows	2,704	2,526
1.13 Total operating and investing cash flows (carried forward)	(3,310)	(25,895)

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(3,310)	(25,895)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	27,629	27,629
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Loan pursuant to the employee share acquisition scheme	-	-
Net financing cash flows		27,629	27,629
Net increase (decrease) in cash held		24,319	1,734
1.20	Cash at beginning of quarter/year to date	37,623	60,251
1.21	Exchange rate adjustments to item 1.20	3	(40)
Cash at end of quarter		61,945	61,945

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A
1.23	Aggregate amount of payments to the parties included in item 1.2	1,175,720
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
N/A		

Non-cash financing and investing activities

2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
<p>In August 2013, Buru Energy Ltd (“Buru”) and Alcoa of Australia Ltd (“Alcoa”) entered into an agreement for up to \$20,000,000 of the escrowed funds to be applied to fund the next phase of the appraisal program for the Laurel wet gas accumulation. The balance will be retained in the escrow account. As part of this agreement, Alcoa has the right to extend the gas sales contract final investment decision (FID) date on an annual basis until 1 January 2018. If a FID is not reached by 1 January 2018, Buru will be obliged to repay the \$40,000,000 gas prepayment in three tranches on 31 December 2018, 31 December 2019 and 31 December 2020 respectively. The first drawdown of \$2.7m has been made during the quarter. The remaining escrowed cash balance and interest of \$23,793,440 is not included in the cash balance at the end of the quarter.</p>	

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

2.2	Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest
	N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A	Amount used \$A
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		\$A ('000)
4.1	Exploration and evaluation	(9,500)
4.2	Development	(1,000)
4.3	Production (net of cash inflows)	2,100
4.4	Administration (including net outflow for pastoral lease)	(2,500)
	Total	(10,900)

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A ('000)	Previous quarter \$A ('000)
5.1	Cash on hand and at bank	7,849
5.2	Deposits at call	29,774
5.3	Bank overdraft	-
	Total: cash at end of quarter	37,623

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	No change in interest		
6.2	Interests in mining tenements acquired or increased	No change in interest		

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1	Preference +securities <i>(description)</i>	N/A	N/A	N/A
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	- -	- -	- -
7.3	+Ordinary securities	336,010,528	336,010,528	N/A
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	37,504,998 -	37,504,998 -	\$0.75 -
7.5	+Convertible debt securities <i>(description)</i>	N/A	N/A	N/A
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -	- -
7.7	Options <i>(description and conversion factor)</i>	602,800	-	Exercise price \$4.04
7.8	Issued during quarter	-	-	Expiry date 31 Dec 2014
7.9	Exercised during quarter	-	-	-
7.10	Expired during quarter	737,000	-	\$4.04
7.11	Debentures (totals only)	N/A	N/A	
7.12	Unsecured notes (totals only)	N/A	N/A	

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: Date: 30 October 2014
Shane McDermott
General Manager Finance and Company Secretary

Notes:

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 Issued and quoted securities; the issue price and amount paid up are not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* applies to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.