

Quarterly Report



Quarter Ended 30 September 2013

The Directors of Buru are pleased to present this report for the quarter ended 30 September 2013.

Overview

The key operational activities during the quarter were:

- commencement of data acquisition of the Ungani 3D seismic survey;
- commencement of the facilities upgrade at the Ungani Field;
- commencement of the export facilities upgrade at the Wyndham Port;
- planning for the 25,000 sq km Southern Canning Airborne Geophysical program;
- the contracting of a new state-of-the-art, high capability drilling rig to support the long term drilling program;
- planning for the full field development of the Ungani Field;
- planning for the 2013 and 2014 appraisal and exploration drilling and seismic program; and
- progressing the regulatory, Traditional Owner and joint venture approvals process for the 2013 and 2014 appraisal, exploration and development programs.

The key corporate activities for the quarter were:

- the completion of a \$35 million fully underwritten Institutional Placement and an accompanying \$5 million Share Purchase Plan;
- entering into an agreement with Mitsubishi to provide up to \$27.5 million non-dilutive funding to contribute to Buru's share of costs for the development of the Ungani Field;
- mandating NAB as Sole Lead Financier for a \$30 million Reserve Base Loan Facility for the Ungani Field development; and
- entering into an agreement with Alcoa to release up to \$20 million for funding of Buru's share of the proposed Laurel Wet Gas accumulation appraisal program.

Financial

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

- cash inflows from the Institutional Placement and Share Purchase Plan being \$39 million after costs;
- exploration expenditure of \$7.2 million for the quarter (June 2013: \$6.3 million), the majority of which are costs associated with the Ungani 3D seismic acquisition, the commencement of the Southern Canning airborne

geophysical survey, the contracting of the drilling rig and the costs of ongoing technical review and project management of the 2013 Appraisal and Exploration Program;

- Ungani Phase 1 Development expenditure of \$2.5m; and
- administration and corporate costs of \$3.6 million (June 2013: \$2.6 million). These costs were higher than the previous quarter due to the timing of cash call receipts from joint venture partners.

The Company recorded a net cash inflow of \$26.5 million (before exchange rate adjustments) for the quarter (Jun 2013: net cash inflow \$13.0 million).

At the end of the quarter the Company had net cash reserves of \$71.9 million (Jun 2013: \$45.4 million).

The Company is forecasting the following cash flows in the December 2013 quarter:

- **Exploration** – \$6 million of exploration costs are estimated to be payable in the Dec 2013 quarter, the majority of which are costs related to the planned Frome Rocks 2D seismic program, the continuing airborne geophysical survey and the continuing gas appraisal review and preparation activity.
- **Development** - \$7 million is estimated to be payable in the Dec 2013 quarter, being Buru's share of Ungani Phase 1 Development costs including the Ungani 3 well planned for spud in December.
- **Production** - \$1 million of production costs are estimated to be payable in the Dec 2013 quarter, being Buru's share of Ungani Phase 1 Extended Production Test. Due to the timing of oil shipments, income from sales is not expected to be received until the following quarter.
- **Administration and Corporate** – \$2.5 million in administration and corporate costs are estimated to be payable in the Dec 2013 quarter, consistent with previous quarters.

Production and Development

Ungani Field

The Ungani Field remained shut-in during the quarter. The Ungani Phase 1 Extended Production Test (EPT) is planned to commence in late November 2013 and continue through to the end of April 2014 and will constitute Phase 1 of the Ungani development.

The work required for startup of the EPT was commenced during the quarter. The activity primarily consists of installation of water handling facilities and additional oil storage tanks, and the upgrading of control and monitoring systems. An extensive training program and skills enhancement program has also been undertaken with Buru's operators and supervisors to ensure readiness to operate.



Ungani Field facility activity

Ungani Well Workovers

The Enerdrill workover rig, which is being used to prepare the Ungani 1 and 2 wells for commencement of the extended production test, successfully completed the Ungani 2 workover with a cement plug installed to isolate the bottom water in the well. The workover on the Ungani 1 well has also commenced. The modifications to the wells are aimed at providing a better understanding of the full production potential of the reservoir, to support plans to build up to target production rates, and to also provide water recycle capability. This is an environmentally and operationally attractive solution which combines disposal of produced water with testing of the injection performance of the reservoir water zone.



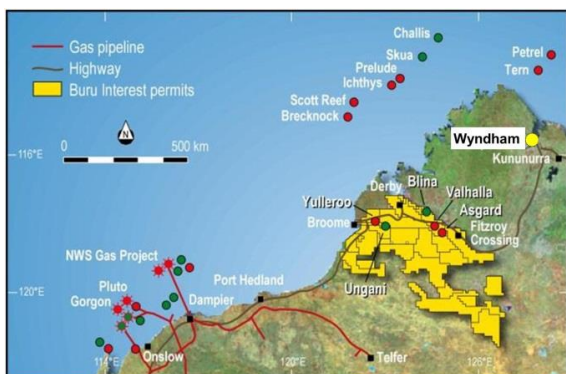
Enerdrill workover rig on location at Ungani

Oil Export Facility

Construction works have commenced for the export of Ungani oil through the Port of Wyndham as part of Phase 1 of the Ungani development. This work is being undertaken in co-operation with Cambridge Gulf Limited, the owner and operator of the Wyndham Port tank farm.

Wyndham has existing tankage and berth space for Ungani operations and the facility requires only relatively minor modifications to accept and export Ungani crude. Wyndham provides an excellent initial export solution while a long term higher capacity solution is put in place.

Ungani crude oil will be transported by road tanker from Ungani to Wyndham using trucks with a capacity of approximately 700 barrels per truck.



Location of Wyndham Port



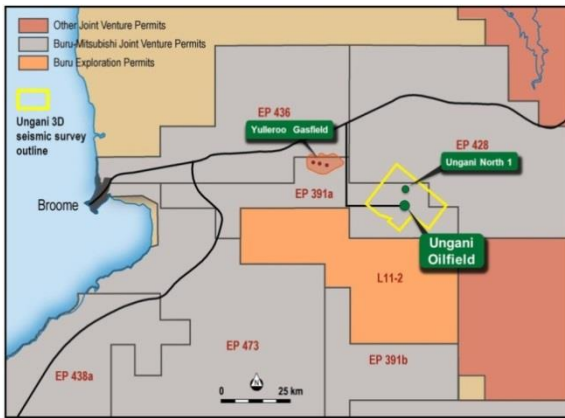
Wyndham storage tanks

Ungani 3D seismic program

Data Acquisition for the Ungani 3D seismic program recommenced on 6 September 2013 after completion of line clearing operations. The completed survey size is planned to be some 243 sq km and the survey is expected to be completed shortly.

At the conclusion of the survey the crew will commence acquisition of the Frome Rocks 2D survey which is targeting Ungani “look alike” structures for the 2014 exploration drilling program.

Daily reports from the field indicate that the data quality is good to excellent. Processing of the data has commenced with the aim of having an initial data cube over the Ungani Field in late November to confirm the target bottom hole location of the Ungani 3 appraisal well.



Blina and Sundown Oil Fields

The Blina and Sundown oil fields remained shut-in during the quarter.

Drilling

The Company continued its structured process of preparing for the next phase of its drilling program, consolidating and reviewing its processes and learnings from the previous two year's program and restructuring its drilling team to ensure effective operations.

Negotiations for a suitable drilling rig concluded during the quarter with Buru entering into a contract with Advanced Energy Group (AEG) for the supply of a Huisman LOC 400 drilling rig (known as Crusader 405). The rig is fully automated and modularised with a depth capability of in excess of 5,000 metres. It is specifically designed as a low operating cost rig with a small environmental footprint compared to rigs previously used in the Canning Basin. The rig is capable of quick and efficient moves with a rig up/rig down process taking less than 30% of the time of conventional rigs of equivalent depth capacity. The rig represents a significant advancement in the drilling technology that has previously been available in onshore Western Australia. It has the capability to drill quick and efficient exploration wells, horizontal oil and gas production wells and deep gas wells.

The rig has arrived in Western Australia and is currently undergoing service trials before undertaking its first job for another operator in the southwest of Western Australia. It is expected it will be available to Buru in the Canning Basin in December 2013 and is planned to be mobilised to the Ungani location for Ungani Field development work.

Planning has also commenced to support the drilling program during the wet season, in similar fashion to the drilling programs during the 2011 and 2012 wet seasons where the locations were pre-stocked with the necessary equipment to support the program and minimise heavy equipment movements.

Exploration

The Company's exploration activities during the quarter focused on:

- planning, in conjunction with Mitsubishi Corporation for the 2013 and 2014 Appraisal and Exploration Programs.
- progressing regulatory, Traditional Owner and joint venture approvals process for the 2013 and 2014 Appraisal and Exploration Programs.
- remapping the Ungani to Yulleroo trend to prioritise areas for 2014 seismic and drilling; and
- planning, contracting and securing approvals for the 25,000 sq km airborne geophysical survey commencing in October over the Company's eastern desert and central licenses.

2013 and 2014 Appraisal and Exploration Programs

During the quarter the joint venture continued planning for the 2013/2014 Appraisal and Exploration Programs.

A key component of the drilling program will be Ungani style conventional oil exploration prospects along the Ungani trend. To support this program, it is planned that following the Ungani 3D seismic survey, and subject to the finalisation of all approvals, the Terrex seismic crew will commence the planned Frome Rocks 2D seismic survey. This will provide additional 2D data along the Ungani trend. A number of attractive conventional structural leads have been identified along the trend from Ungani and the additional seismic data will help mature the leads to drillable status as well as identifying additional prospects.

Planning, contracting and securing approvals for the Southern Canning Airborne Geophysical program also commenced during the quarter, with acquisition of the airborne geophysical survey commencing in October. This program will acquire airborne gravity gradiometry (AGG) and magnetic data in an area covering eight of Buru's permits in the Great Sandy Desert. It is designed to acquire high quality geophysical data in an area in which seismic acquisition is more difficult, and to identify high potential areas in the Acacia Province where the joint venture will acquire seismic in 2014. The previous geophysical data in the area is of high quality and provides excellent geological and geophysical insights beyond the sparse seismic data coverage.

Buru and its partners also continue to undertake extensive technical work to prepare a definitive test program of the Laurel BCGS.

Traditional Owner Relations

Buru continues to work very hard to put in place a framework that allows it to work co-operatively with the Traditional Owners in a way that respects their culture and heritage and also ensures an appropriate sharing of benefits. The negotiations for the agreements the Joint Venture requires for long term operations in the Canning Basin are ongoing. Due to the importance of the results of the discussion on future developments and activity, Buru is ensuring that any agreements reached provide the basis for long term alignment. Buru is looking to be creative in its approach to developing long term relationships to ensure that any benefits that flow through to the Traditional Owners includes a balance of financial support and long term business creation opportunities. Buru will keep the market informed as these are progressed.

Ungani Heritage Incident Investigation Concluded

Buru has been advised by the Department of Aboriginal Affairs (DAA) that it has concluded its investigation into the alleged heritage disturbance in the area of the Ungani 3D seismic survey as reported by KRED Enterprises in October 2012.

The DAA has determined that Buru and its contractors did not breach the Aboriginal Heritage Act and that there was no evidence presented of any disturbance to Aboriginal heritage material.

The Company has been actively undertaking field activities exploring and producing in the Canning Basin for five years on lands subject to native title claims and determinations. All of Buru's operations are conducted following extensive consultation and heritage surveys with Traditional Owners to ensure that sites or areas of significance are not disturbed. Active monitoring programs by the Traditional Owners representatives also occur during field operations. Buru is committed to working cooperatively with the Traditional Owners and takes particular care to ensure that its activities do not disturb registered sites or areas of cultural significance. Buru has also implemented comprehensive cultural induction awareness training for all staff and contractors.

Whilst Buru is pleased with the outcome of the independent investigation by the Department of Aboriginal Affairs, the disproven allegations resulted in considerable delay to the Company's program and affected the community more broadly. Buru hopes that the decision now allows all parties to move forward positively building on the enhanced cultural and heritage awareness training for all Buru staff and contractors, and field monitoring and surveying now being employed across all field operations.

Corporate

Ungani Development Funding

During the quarter Mitsubishi Corporation agreed to provide Buru with up to \$27.5 million to contribute to Buru's share of costs for the development of the Ungani Field through the acceleration of the major project infrastructure support payments under the 2010 farmin agreement between Buru and Mitsubishi. The funding is subject to formal documentation of the agreement, and a FID decision on the development of the Ungani Field which is expected to be achieved in early 2014.

NAB has been mandated as Sole Lead Financier to arrange and provide a USD denominated debt facility to the Ungani Field development. The NAB mandate provides a Reserve Base Loan Facility of up to US\$40 million, however, Buru will only be seeking an initial facility limit of approximately US\$30 million to ensure conservative balance sheet management. Buru has received a Term Sheet from NAB on acceptable terms and expects that a binding commitment will be received in due course on the same basis.

Laurel Wet Gas Evaluation Funding

During the quarter Alcoa agreed to release up to \$20 million for funding of Buru's share of the proposed Laurel Wet Gas accumulation appraisal program. These funds are currently held in escrow and form part of the \$40 million gas prepayment monies advanced to Buru under the Alcoa gas sales contract.

Exploration and Working Capital Funding

During the quarter Buru undertook a modest equity raising to contribute funding for exploration and general working capital. The equity raising was a combination of a fully underwritten \$35 million Institutional Placement (IP), and a non-underwritten Share Purchase Plan (SPP) capped at \$5 million.

The IP was priced at \$1.65 per share, an 8.8% discount to the 5-day VWAP of \$1.81. The bookbuild was supported by new and existing Buru shareholders and closed multiple times oversubscribed. Buru issued approximately 21 million new shares under the Institutional Placement, representing approximately 7.8% of the Company's existing issued capital.

The SPP was heavily oversubscribed, with subscription applications of some \$22 million being received from 2,092 shareholders before being scaled back to \$5 million.

Managing Director's Comments

"The September quarter saw the achievement of a number of key milestones in the Company's Strategic plan to build on the exploration success of the last few years and deliver sustainable growth and value for shareholders across all of its assets.

The successful and balanced funding package that was put in place provides the basis for funding of our forward program and was supported by our Joint Venture partner Mitsubishi with the bringing forward of development funding, the National Australia Bank with a reserve base lending facility for Ungani, Alcoa with the release of funds in escrow for our gas appraisal, and a strongly supported equity capital raising plus a share purchase plan for our existing shareholders. This was a great achievement and demonstrated the support of key partners and shareholders, combined with confidence in our ability to deliver value across all of our assets. In addition, the securing of a modern and state of the art drilling rig, combined with the recommencement of the 3D seismic program over the Ungani Field, and the work over activity on the existing Ungani 1 and 2 wells ahead of the recommencement of production, positions the Company to begin a sustained period of field activity that we believe will see the Company develop into Australia's newest oil producer as well as unlocking value across our gas and exploration areas.

The Company's capital management program is focusing our funds on the highest value activities whilst cost effectively derisking other areas to provide a portfolio capable of sustaining long term growth. Whilst we have enhanced the technical, operational, health and safety management capability of the organisation to support the high level of planned activity for the Ungani Oil development, the Laurel gas appraisal, and the exploration drilling and seismic programs, we have also been focused on keeping overheads as low as possible and are complementing our team with strategic relationships with world class international companies who have the core expertise in the areas of unconventional gas evaluation and environmental excellence. As part of our capital management program we have

also commenced farmout preparations and discussions with Companies covering some non-core areas with a view to introduce quality Joint Venture partners who have the ability to assist in unlocking value and are aligned with Buru's values and our commitment to the communities in our areas of operations.

Following the last two year period of intense activity, Buru, with the support of our Joint venture partners, is now moving into an active operational phase of focused and sustainable activity. The Buru team is genuinely excited by the program ahead and we look forward to keeping our shareholders updated on our progress and activities."

Dr Keiran Wulff
Managing Director

Glossary

Bopd	Barrels of oil per day
Buru or the Company	Buru Energy Limited (ASX code: BRU)
2D	Two Dimensional
3D	Three Dimensional
DMP	Western Australian Department of Mines and Petroleum
EPT	Extended production test
FDP	Full Field Development Plan
FID	Final Investment Decision
Mitsubishi or MC	Mitsubishi Corporation
AES	Advanced Energy Services
IP	Institutional Placement
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 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 38 years of relevant experience. Mr Streitberg consents to the inclusion of the information in this report.

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

BURU ENERGY LIMITED

ABN

71 130 651 437

Quarter ended ("current quarter")

30 September 2013

Consolidated statement of cash flows

	Current quarter \$A ('000)	Year to date (3 months) \$A ('000)
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	59	59
1.2 Payments for (a) exploration & evaluation	(7,174)	(7,174)
(b) development	(2,478)	(2,478)
(c) production	(332)	(332)
(d) administration	(3,620)	(3,620)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1,186	1,186
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	(12,359)	(12,359)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) fixed assets	(145)	(145)
1.9 Proceeds from sale of:		
(a) fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (Investments)	-	-
Net investing cash flows	(145)	(145)
1.13 Total operating and investing cash flows (carried forward)	(12,504)	(12,504)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(12,504)	(12,504)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	39,040	39,040
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		39,040	39,040
Net increase (decrease) in cash held		26,536	26,536
1.20	Cash at beginning of quarter/year to date	45,437	45,437
1.21	Exchange rate adjustments to item 1.20	1	1
Cash at end of quarter		71,974	71,974

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	411,414
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 cash balance in escrow has received interest of \$5,634,518, taking the total escrowed cash balance to \$25,634,518. This is not included in the cash balance above.</p>	

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	6,000
4.2	Development	7,000
4.3	Production	1,000
4.4	Administration	2,500
	Total	16,500

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	5,465	29,261
5.2 Deposits at call	66,509	16,176
5.3 Bank overdraft	-	-
Total: cash at end of quarter	71,974	45,437

Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

	Tenement reference	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	EP417	Buru withdrew its interest from the Exploration Permit EP417 on 26 August 2013.	35%	0%
6.2	Interests in mining tenements acquired or increased				

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) (cents)	Amount paid up per security (see note 3) (cents)
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	298,365,707	298,365,707	N/A
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	24,329,278 -	24,329,278 -	\$1.65 -
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 (description and conversion factor)	947,000 <u>1,339,800</u> 2,286,800	- -\$4.04	Exercise price \$1.24 Expiry date 31 Dec 2013 31 Dec 2014
7.8	Issued during quarter	-	-	-
7.9	Exercised during quarter	-	-	-
7.10	Expired during quarter	180,000	-	\$4.13
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 4).
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: Date: 22 October 2013
Chris Bath
Chief Financial Officer 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 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, 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 is 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* apply 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.