

# Quarterly Report

Period ended 30 June 2019



Buru Energy Limited (Buru) provides the report for the quarter ended 30 June 2019.

## Highlights

### Ungani Production:

- Oil production for the quarter of ~88,000 bbls (gross) at an average of ~970bopd (including well offline time).
- Oil sales for the quarter of ~74,000 barrels (gross) from a lifting on 23 May.

### Ungani Development:

- Ungani 6H development well initial section completed with NGD 405 rig after significant drilling problems.
- Ungani 7H well delayed to allow for well design changes incorporating lessons learned from Ungani 6H drilling issues.
- Upgrades to Ungani production facility to process additional fluid volumes from new wells progressing on time and on budget.

### Exploration and Appraisal

- Adoxa 1 exploration well, the first exploration well in the 2019 drilling campaign, spudded on 24 July.
- Rafael 1 and Miani 1 well planning and site construction advanced to allow flexibility in forward exploration drilling program.
- Ungani North re-evaluation program commenced with tubing removal with Buru Jacking Platform.
- Blina Oilfield re-appraisal program commenced with tubing removal and recovery of significant volumes of oil.
- Operational and technical program for Yulleroo Gasfield conventional gas appraisal program being completed.
- Lennard Shelf well decommissioning using the Buru Jacking Platform ~50% complete and on time and on budget.

## Ungani Oilfield Production and Development

*(L20/L21 - Buru Energy 50% and operator)*

### Production

Production from the Ungani Oilfield for the quarter totalled ~88,000 bbls (gross) at an average daily rate over the period including well offline time of ~970bopd (March quarter 93,000 bbls at ~1,030 bopd). Production continued from Ungani 1, Ungani 2, Ungani 4ST1, Ungani 5 and Ungani Far West 1 throughout the period with ongoing minor well interventions and maintenance being carried out as required. Production will be confined to the currently producing wells until the Ungani 6 well is brought on production later this year.

There was one oil lifting during the quarter from Wyndham Port by the MT Ocean Autumn on 23 May. This lifting totalled ~74,000 bbls (gross) for an FOB price of ~A\$95bbl. Buru's 50% revenue share from the lifting was ~US\$2.46M or ~A\$3.52M.

The existing Trafigura oil sales and lifting contract expired on 30 June 2019, and after a market based tender process, a new contract on more favourable commercial terms has been executed with Petro-Diamond Singapore. Trafigura had provided an excellent service since mid-2017 and will remain in consideration for future contracts. The next lifting, the first for Petro Diamond, is scheduled to take place in August.

Ungani crude oil continues to be trucked to CGL storage Tank 10 at Wyndham Port prior to its FOB sale. The price received FOB Wyndham is the realised Brent linked oil price less the buyer's fixed marine transport discount.

### **Ungani 6H**

During the quarter, the Buru/Roc Joint Venture drilled the Ungani 6H development well with the NGD 405 drilling rig. Drilling was significantly delayed by a number of operational problems including rig downtime, lost circulation zones and difficult drilling conditions in the Ungani Shale section.

The well was drilled at a high angle to the top of the Ungani Dolomite which was intersected as planned at a measured depth of 2,346 metres. Attempts to then run the 5½ inch (140mm) casing to the planned depth at the top of the Ungani Dolomite were ultimately unsuccessful, and the casing was cemented in place at a depth of 2,310 metres measured depth and the well was suspended.

The NGD 405 rig then underwent a period of required maintenance and repairs before being mobilised to drill the Adoxa 1 well.

The forward plan is to run an expandable liner over the remaining shale section using the Buru Jacking Platform prior to the underbalanced coil tubing unit drilling of the reservoir section.

### **Ungani 7H**

The Ungani 7H well location is adjacent to the Ungani 4 well pad and the well location is completed and ready for rig acceptance. However, given the issues encountered with the Ungani 6H well it has been agreed by the Joint Venture that the drilling of the well will be deferred while the well design is reviewed in light of the lessons learned from the drilling of Ungani 6H, and to provide sufficient time for the implementation of any subsequent changes to the well design. The well location is also accessible during the wet season which provides flexibility on timing.

### **Coil Tubing Operations**

The preparations for the coil tubing operation are substantially complete and it is intended to mobilise the equipment spread once the expandable liner in Ungani 6H is successfully installed. These operations are currently expected to be completed late in the third quarter. The coil tubing unit is expected to be demobilised at the conclusion of the Ungani 6H operation and then remobilised as required for any subsequent operations on Ungani 7H.

### **Ungani Production Facility Upgrades**

Further upgrades to the Ungani Production Facility are progressing with upgrade operations on time and budget. The facility is being debottlenecked and expanded to handle the expected increased oil production from Ungani 6H and Ungani 7H, as well as the increased produced water from the field generally. This expansion involves the installation of new tanks and associated infrastructure to tie the new wells into the facility.

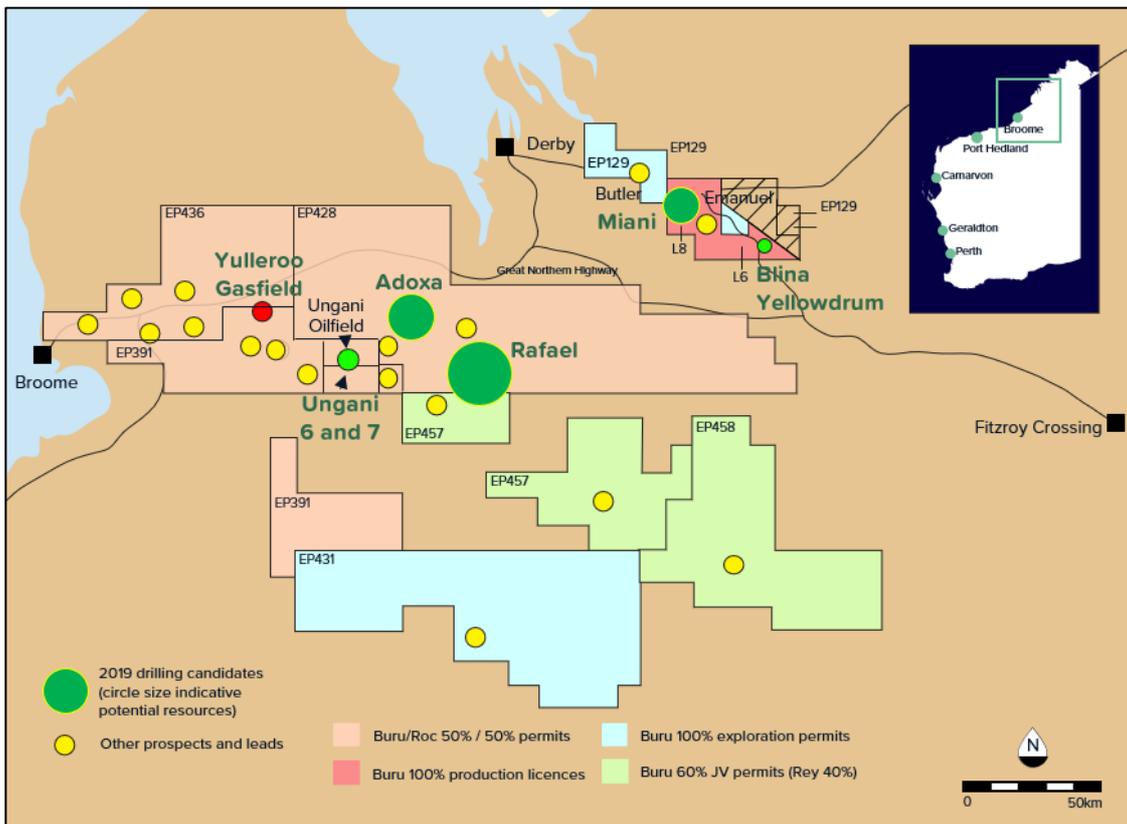
## Exploration

### Adoxa 1 (EP428 - Buru Energy 50% and operator)

The Adoxa 1 site and the access road were completed during the quarter. The well was spudded on 24 July is currently drilling ahead in 8-1/2" hole to the section TD of ~750 – 800 metres.

Adoxa 1 is situated on the regionally significant Yakka Munga structure and planned to be drilled to a total depth of some 2,400 metres with its principal objective being conventional oil from the Reeves Formation sandstones from which oil was tested in the Ungani Far West 1 well. The Reeves Formation is an emerging play in the Canning Basin and the Reeves section in the Adoxa 1 well is prognosed to be over 700 metres thick, with a substantial part of the section never previously penetrated in the Basin.

The Adoxa 1 well is located on EP 428 in which Roc is earning a 50% interest under the terms of the 2018 Farmin Agreement. Pursuant to that Agreement, Roc is required to fund \$25 million of agreed exploration expenditures on a promoted 80/20 basis ("Farmin Carry"). For the purpose of drilling the Adoxa 1 well, the parties have agreed that this well is funded outside the Farmin Carry, with both Roc and Buru paying for this well at the 50/50 equity level. However, Roc remains liable to meet their remaining Farmin Carry obligations (currently approx. \$15 million Roc's share) within an agreed timeframe pursuant to the terms of the Farmin Agreement.



### **Rafael 1** (EP428 - Buru Energy 50% and operator)

The Rafael prospect lies in the southern part of EP 428 and is a large robust closure mapped on good quality 2D seismic data with conventional oil targets. The drill site and access road for the well have now been completed and the final well proposal has been presented to the Joint Venture and is currently under review. If Roc decline to participate in the well and it is drilled by Buru as a 100% "sole risk" operation, Roc will be required to pay an agreed penalty if they wish to participate in a subsequent appraisal or development program.

### **Miani 1** (L8 - Buru Energy 100%)

The prospect previously known as Hotdog has been renamed Miani, the common usage name of the blue waterlily that is endemic to the northern Kimberley. The Miani prospect is well defined on 3D seismic and is interpreted to be a hydrothermal dolomite sag feature prospective for conventional oil. There are a number of well defined follow up features defined on the 3D seismic that would be attractive targets if Miani 1 discovers hydrocarbons.

The Miani 1 well site has environmental and heritage clearances and construction of the site and access road have commenced. It is close to the access road to the existing Leander 1 wellsite and has good all weather access along the existing Blina road and the sealed portion of the Gibb River Road.

### **Ungani North 1** (L20 - Buru Energy 50% and operator)

As part of the review of the potential of the wells in the Ungani area the Joint Venture has agreed to undertake further appraisal work on the Ungani North 1 well. During the quarter the existing completion string has been removed using the Buru Jacking Platform in preparation for the upcoming re-perforation of the Ungani Dolomite oil zone.

### **Lennard Shelf** (EP 129/L 6/L 8/L 17 - Buru Energy 100%)

#### Blina and Sundown Oilfield

The Blina and Sundown Oilfields remained shut-in during the quarter with well decommissioning operations proceeding using Buru's Jacking Platform system. This system provides a low cost, safe and effective alternative to using a workover rig for these types of operations. As at the end of the quarter, these operations were ~50% complete and progressing on time and on budget.

#### Blina Yellowdrum Test

In preparation for the planned workover and test of the Yellowdrum section in the Blina 4 well, the Jacking Platform has been used to remove the existing tubing string which was completed at the deeper Nullara Formation level.

During this operation initial flush production of some 600 barrels of oil was recovered at high flow rates. After the flush production had completed flowing, the tubing string was recovered. This was an encouraging result and the significance of this oil recovery and its implications for the forward program is being reviewed.



*Buru Jacking Platform operations on Lennard Shelf well*

### Butler Prospect

No further work has been undertaken on the Butler prospect as the program delays mean it is unlikely to be able to be drilled in 2019.

### **Yulleroo Gasfield** (EP 391 & EP 436 - *Buru Energy 50% and operator of the conventional gas assets / 100% of the unconventional gas assets*)

Buru has full title to the extensive tight wet gas resources of the Laurel Formation in its permits through the central part of the Fitzroy Trough of the Canning Basin.

The most well developed of these resources is the Yulleroo Gasfield where four wells have defined a substantial gas accumulation with a number of zones identified from which there is potential for conventional gas production.

A detailed program to evaluate these conventional gas resources is currently being finalised.

Conventional gas resources could be used to supply local industry and power generation as a substitute for LNG trucked from the Pilbara.

### **Financial**

The Company recorded ~\$58.8 million in cash as at 30 June 2019. During the June 2019 quarter, the Company recorded a net cash outflow of \$2.7 million. The ASX Appendix 5B attached to this report contains the Company's cash flow statement for the quarter which is summarised as follows:

Cashflows	Jun 2019 Quarter	Mar 2019 Quarter
Production (net)	\$1.8m	\$3.3m
Development	(\$2.4m)	(\$1.7m)
Exploration	(\$1.5m)	(\$2.1m)
Administration and Corporate	(\$1.1m)	(\$1.1m)
Other	\$0.5m	\$0.3m
<b>Cash outflow from operations</b>	<b>(\$2.7m)</b>	<b>(\$1.3m)</b>
Additional interest acquired in EP 457 & EP 458	-	(\$0.7m)
Partial repayment of Alcoa loan	-	(\$0.5m)
<b>Total cash outflow</b>	<b>(\$2.7m)</b>	<b>(\$2.5m)</b>
<b>Closing cash</b>	<b>\$58.8m</b>	<b>\$61.5m</b>

**Production:** Net production cash flows included Buru's share of Ungani crude production sold FOB Wyndham during the quarter, less production cash costs. As described above, receipts in the June quarter were from one lifting, as opposed to two liftings in the prior quarter.

**Development:** Cash outflows primarily comprised of Buru's share of costs associated with the Ungani 6H development well, as well as preparations for the Ungani 7H well and various well workovers and minor surface upgrades. The majority of cash outflows for the Ungani 6H well will be reflected in the September quarter.

**Exploration:** Cash outflows comprised Buru's share of preparation for the Adoxa 1, Rafael 1 and Miani 1 exploration wells as well as the ongoing expenditures relating to desktop geological and geophysical work, asset integrity and Traditional Owner engagement.

**Administration and corporate:** Cash outflows were consistent with prior quarters.

**Other:** Primarily related to interest income received.

The Company is forecasting a cash outflow of \$14.8 million in the September 2019 quarter as detailed below.

Cashflows	Sep 2019 Forecast	Jun 2019 Actual
Production	\$1.5m	\$1.8m
Development	(\$7.4m)	(\$2.4m)
Exploration	(\$7.7m)	(\$1.5m)
Administration and Corporate	(\$1.2m)	(\$1.1m)
Other	-	\$0.5m
<b>Total cash outflow</b>	<b>(\$14.8m)</b>	<b>(\$2.7m)</b>
<b>Closing cash</b>	<b>\$44.0m</b>	<b>\$58.8m</b>

**Production:** Forecast net production cash flows include Buru's share of Ungani crude production to be sold FOB Wyndham with one lifting forecast to be received during the upcoming quarter.

**Development:** Forecast cash outflows include Buru's share of the drilling operations incurred during the June quarter at Ungani 6H, as well as further operations in the September quarter to install the expandable liner and drill the reservoir section underbalanced with coil tubing. Development forecast cash outflows also include preparations for the Ungani 7H well and ongoing surface upgrades to the Ungani Production Facility to tie in the Ungani 6H and Ungani 7H wells.

**Exploration:** Cash outflows are forecast to include Buru's share of costs associated with drilling Adoxa 1. These forecasts also include the commencement of the drilling of the Rafael 1 on a 50% basis. This assumption is dependent on a number of factors including the level of participation of Roc in the well, Buru Board approval of the equity level of the operation, timing of operations and well order. The Exploration forecast cash outflows also include ongoing expenditures relating to desktop geological and geophysical work, asset integrity and Traditional Owner engagement.

**Administration and corporate:** Cash outflows are estimated to remain consistent with previous quarters.

### Schedule of interests in permits as at 30 June 2019

<u>Permit</u>	<u>Type</u>	<u>Ownership</u>	<u>Operator</u>	<u>Location</u>
L6*	Production licence	100.00%	Buru Energy Ltd	Canning Basin, WA
L8	Production licence	100.00%	Buru Energy Ltd	Canning Basin, WA
L17	Production licence	100.00%	Buru Energy Ltd	Canning Basin, WA
L20	Production licence	50.00%	Buru Energy Ltd	Canning Basin, WA
L21	Production licence	50.00%	Buru Energy Ltd	Canning Basin, WA
EP 129*	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP 391	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP 428	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP 431	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP 436	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP 457	Exploration permit	60.00%	Buru Fitzroy Pty Ltd	Canning Basin, WA
EP 458	Exploration permit	60.00%	Buru Fitzroy Pty Ltd	Canning Basin, WA

\* Excluding the Backreef Area.

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

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## **About Buru Energy**

Buru Energy Limited (ASX: BRU) 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. It owns and operates 50% of its flagship high quality conventional Ungani Oilfield project and 100% of its 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.

## **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.

## **Forward Looking Statements**

This document has been prepared by Buru Energy Limited ABN 71 130 651 437 ("Buru Energy"). This document contains certain statements which may constitute "forward-looking statements". It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including, but not limited to:

price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve and resource estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delays or advancements, approvals and cost estimates.

Buru Energy's operations and activities are subject to regulatory and other approvals and their timing and order may also be affected by weather, availability of equipment and materials and land access arrangements, including native title arrangements.

Although Buru Energy believes that the expectations raised in this document are reasonable there can be no certainty that the events or operations described in this document will occur in the timeframe or order presented or at all.

No representation or warranty, expressed or implied, is made by Buru Energy or any other person that the material contained in this document will be achieved or prove to be correct. Except for statutory liability which cannot be excluded, each of Buru Energy, its officers, employees and advisers expressly disclaims any responsibility for the accuracy or completeness of the material contained in this document and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this document or any error or omission there from. Neither Buru Energy nor any other person accepts any responsibility to update any person regarding any inaccuracy, omission or change in information in this document or any other information made available to a person nor any obligation to furnish the person with any further information.

All dates in this document are for calendar years. All references to \$ are in Australian currency, unless stated otherwise.

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96. Origin: Appendix 8. Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

**BURU ENERGY LIMITED**

### ABN

71 130 651 437

### Quarter ended ("current quarter")

30 June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,587	9,162
1.2 Payments for		
(a) exploration & evaluation	(1,503)	(3,618)
(b) development	(2,369)	(4,035)
(c) production	(1,787)	(4,079)
(d) staff costs	(735)	(1,409)
(e) administration and corporate costs	(448)	(831)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	590	998
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
<b>1.7 Net cash from / (used in) operating activities</b>	<b>(2,665)</b>	<b>(3,812)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(40)	(69)
(b) tenements (see item 10)	-	(720)
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(40)</b>	<b>(789)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of Alcoa liability	-	(500)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>(500)</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	61,517	64,009
4.2 Net cash from / (used in) operating activities (item 1.7 above)	(2,665)	(3,812)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(40)	(789)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	(500)
4.5 Effect of movement in exchange rates on cash held	(53)	(149)
<b>4.6 Cash and cash equivalents at end of period</b>	<b>58,759</b>	<b>58,759</b>

5. <b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	5,790	4,627
5.2 Term deposits	52,969	56,890
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>58,759</b>	<b>61,517</b>

6. <b>Payments to directors of the entity and their associates</b>	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	233
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

N/A

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities (Alcoa)	4,500	4,500
8.2 Credit standby arrangements	-	-
8.3 Other (Please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

**Alcoa Loan**

The next instalment of \$2,500,000 will be payable on or before 31 December 2019 with the remainder of the loan due by the end of 2020.

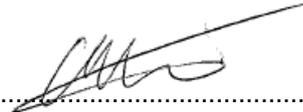
The loan remains unsecured, subject to an agreed interest rate of 5% and subject to annual accelerated capital repayments based on Buru Energy's Ungani crude sales.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	(7,700)
9.2 Development	(7,400)
9.3 Production (Net cash inflows)	1,500
9.4 Staff costs	(700)
9.5 Administration and corporate costs	(500)
<b>9.6 Total estimated cash outflows</b>	<b>(14,800)</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced		Nil		
10.2 Interests in mining tenements and petroleum tenements acquired or increased		Nil		

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  ..... Date: 25 July 2019

Print name: Shane McDermott  
Chief Financial Officer & 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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.