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ASX ANNOUNCEMENT (ASX: BRU)

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UNGANI-2 – OPERATIONS UPDATE

Buru Energy Limited (“**Buru**” or “**Company**”) provides the following update on operations at the Ungani-2 well.

The Ungani-2 well is the fourth well in the Buru – Mitsubishi Corporation (“**MC**”) 2011 Joint Exploration Program. Buru and MC each have a 50% working and paying interest in this well and in EP 391. The Ungani-2 well is being drilled from the same drilling pad as Ungani-1ST1 to a bottom hole location some 520m to the northeast of the bottom hole location of the Ungani-1ST1 well.

Operations since last report

Since the last report on 1 December 2011, Core 2 has been cut over the 27 metre interval from 2,327.8m to 2,354.8m measured depth, with 2.61 metres of core recovered. The poor core recovery was despite substantial changes to the coring parameters from those used to cut Core 1, and is interpreted to be because of the friable and vugular nature of the reservoir.

On completion of coring operations the well was drilled ahead to the current measured depth of 2,587 metres, and a comprehensive wireline logging and pressure testing program has been carried out with the results as set out below.

The forward program is to deepen the well to approximately 2,700m measured depth to investigate a deeper zone which had good oil shows in the Ungani-1 well, but was unable to be logged in that well. At the conclusion of that operation, the well will be plugged back and the production casing and completion run. A cleanup flow will then be undertaken to prepare the well for future production, and the rig will be released.

It is anticipated the results of the cleanup flow will be available on or about 23 December.

Reservoir parameters

A definitive oil/free water contact has been established from pressure data and sample recovery at 2,208 metres subsea and this can be correlated to the previously interpreted potential oil/water contact in Ungani-1. This oil/water contact elevation gives an oil column in the Ungani-1 ST1 well of 56 metres and in the Ungani-2 well of 53 metres, both in extremely well developed vugular dolomites. In both wells the dolomite reservoir with oil shows is thicker than the oil column, with some 137 metres of dolomite reservoir developed in Ungani-2. This thickness of high quality reservoir is very encouraging for the potential for increasing the amount of oil that may be present at higher elevations on the structure.

Log data suggest the Ungani-2 reservoir has very well developed vugular porosity and should therefore have similar flow characteristics to Ungani-1 ST1.

Potential oil volumes

Analysis of the data acquired from the well, including the results of the upcoming clean-up flow and data acquired from the planned extended production test are required to determine the reserves potential of the structure. However, the results of the Ungani-1ST1 and Ungani-2 wells to date have confirmed the presence of a very significant oil column with high flow potential and the likelihood of laterally extensive reservoir development. These factors all point to significant reserves potential in the Ungani field.

Quantification of the overall potential of the field will also require the acquisition and interpretation of the planned 3D seismic survey data and additional appraisal drilling. At this time, under reasonable interpretations of the existing data and the results of the two wells to date, the previously stated potential overall upside from the Ungani structure of some 20 million barrels of recoverable oil is considered to be reasonable.

Further analysis of the oil recovered from the Ungani-1ST1 well test has also been conducted. This has confirmed that the Ungani crude is a light sweet crude of 37 deg API with a pour point of -7 degC. Crudes of this composition are highly sought after and it is expected that the Ungani crude will command a premium price in world markets.

Commenting on these results, Buru's Executive Director, Eric Streitberg, said:

"The results of the Ungani-2 well confirm that we have a very significant oil discovery. We set out to prove with this well that the reservoir was continuous and of good quality and that the structure had lateral extent.

We have achieved all these objectives and in fact, came in high to prognosis, and with a reservoir that looks as good, if not better, than Ungani-1. This is a terrific result and a great Christmas present for our shareholders.

We will be working hard to get the production test of the field underway early in the New Year and then getting the 3D seismic acquired and additional wells drilled next year.

We are also finalising the planning for our drilling program for the first half of next year and will be giving shareholders an update on that in the next little while."

In accordance with its policy of releasing weekly drilling progress reports, the Company expects to issue a further drilling progress report on 15 December 2011, subject to any material events occurring in the meantime.

Further information on the Company is available at: www.buruenergy.com

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