

Quarterly Report

Period ended 30 June 2016



ASX:BRU

The Directors of Buru Energy Limited (Buru Energy) are pleased to provide the report for the quarter ended 30 June 2016.

Highlights

- Evaluation of restart of Ungani oil production nearing completion
- Substantial upgrade to Ungani Contingent Resources by independent reviewer
- Analysis of data from TGS program very encouraging and substantial Contingent Resources booked following independent review of the Valhalla / Asgard resource
- Prospectivity review of the Ungani trend for future drilling targets proceeding well

Production and Development

Ungani Oilfield

The Ungani Oilfield remained shut-in during the quarter. The Joint Venture is currently conducting an extensive review of the alternatives for restarting production from the field. These include evaluation of alternate export points, reduction of operating and transport costs, and alternate marketing arrangements. A detailed review of forward field performance is also in progress incorporating the results from the previous production period to ensure any restart is made in the most capital and cost efficient manner.

The evaluation has identified areas of substantial cost savings and the Company is moving to restart production as soon as practicable in a commercial framework that includes an oil price that delivers strong positive cash flow. The current level of oil prices and the relatively strong Australian dollar still provide continuing challenges to profitability, but the analysis is demonstrating that a profitable resumption of production can potentially be achieved.

Ungani Oilfield Resources

During the quarter the Company received the finalised Gaffney Cline and Associates ("GCA") assessment of the resources of the Ungani Oilfield and the results are set out below in summary in accordance with the ASX listing rules. The resources are classified as Contingent Resources given the field is currently shut-in. The GCA 3C assessment is significantly greater than the internal assessment by Buru in 2015 which illustrates the potential upside of the field.

GCA's estimate of the Contingent Resources of the Ungani Field as of 30 April 2016 is shown below. Buru's interest is 50% of these estimates. The field has produced a total of some 615,000 barrels during the various production phases from when production first commenced on 31 May 2012, until the most recent suspension of production on 26 January 2016.

Ungani Oilfield Contingent Resources (100%WI, MMstb)			
	P90	P50	P10
Original in place	8.99	16.13	32.30
Estimated Ultimate Recovery (EUR)	2.70	7.26	19.41
Production until the 26 of January 2016	0.62	0.62	0.62
	1C	2C	3C
Contingent Resources	2.08	6.65	18.80

- i. Evaluation date 30 April 2016. Probabilistic method used to prepare the estimates of contingent resources.
- ii. Qualified petroleum reserves and resources evaluator requirements are detailed in Buru Energy's ASX release of 16 May 2016. Buru Energy is not aware of any new information or data that materially affects the information included in that ASX release and all material assumptions and technical parameters underpinning the estimates in that release continue to apply and have not materially changed.
- iii. The estimates of contingent resources are the statistical aggregates of unconventional resources.
- iv. Application of any risk factor to contingent resources quantities does not equate contingent resources with reserves.
- v. There is no certainty that it will be commercially viable to produce any portion of the resources evaluated.

Blina and Sundown Oilfields

The Blina and Sundown Oilfields remained shut-in during the quarter with maintenance and well inspections continuing.

Exploration and Appraisal

Tight Gas Exploration and Appraisal Program

The evaluation of the data obtained from the Laurel Formation tight gas stimulation program has confirmed the prospectivity and commercial potential of the resource. The wells performed very strongly during the post frac flow period, with gas flows from all stimulated zones, and initial gas peak rates on blowdown of up to 44 million cubic feet of gas per day ("mmcfcpd"), and average blowdown gas rates of up to 13.5 mmcfcpd. Although not direct indicators of long term productivity, these rates are very positive indicators of stimulated reservoir volumes and formation pressures.

Other positive results include the very good gas quality, with analysis of the commingled gas streams from the stimulated zones showing high liquids content (25 to 38 bbls per million cubic feet), and low inerts (2% to 5% CO₂). As expected, individual zones in the more liquid rich sections of the wells appear to have higher liquids content. The excellent quality of the gas means it will not require any substantial processing before sale except for removal of the high value liquids content for separate sale.



Valhalla North 1 cleanup flow



Asgard 1 testing

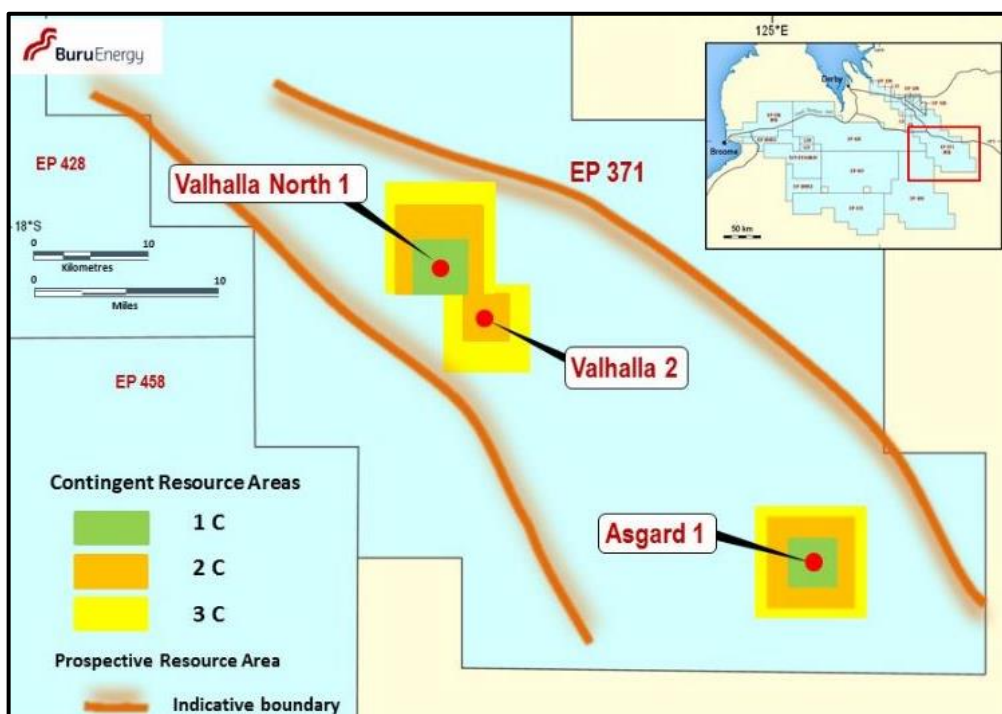
The well stimulation operations went very well, with the placement of substantial amounts of proppant and the use of water and gas tracers confirming the effectiveness of the stimulation treatments and the extensive gas saturations in the reservoirs, with all stimulated zones flowing gas.

Independent Resource Estimate

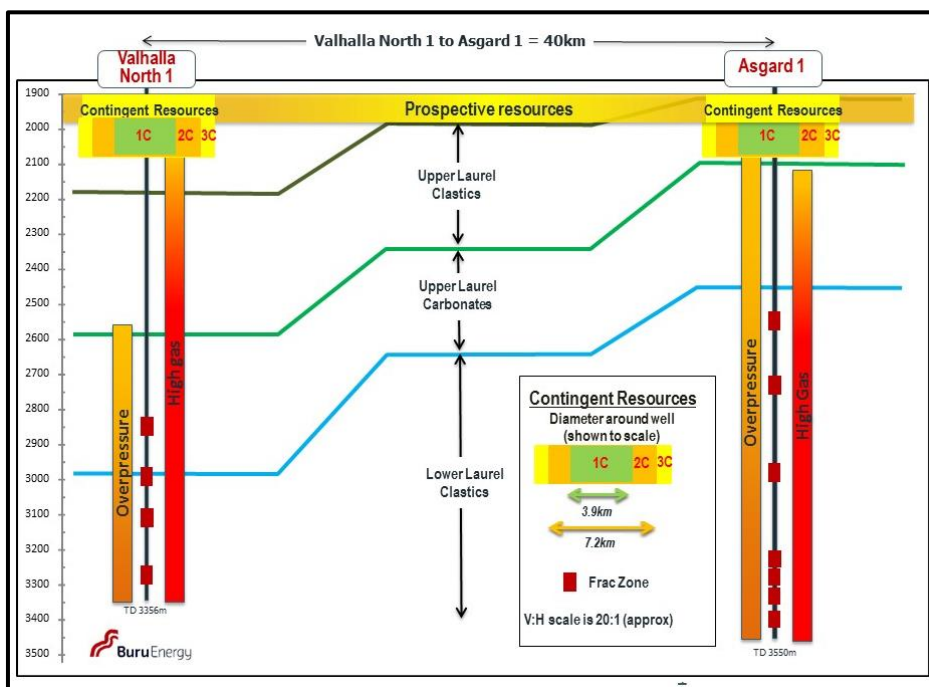
Subsequent to the successful completion of the tight gas stimulation program at the Valhalla North 1 and Asgard 1 wells, DeGolyer and MacNaughton (“D&M”), a specialist North American tight gas and unconventional resource assessment consulting group (www.demac.com), were commissioned to undertake an independent assessment of the gas and liquids resources of the Laurel Formation in the Valhalla area.

D&M used the extensive data base collected by the Joint Venture over the course of the drilling and evaluation of the wells in the area including the extensive core and tight rock analysis data, detailed petrophysical analysis, and the observations from the flowbacks of the stimulated wells.

The full results of the D&M analysis were finalised during the quarter and are contained in the ASX release of 18 April 2016. The D&M analysis concentrated on the Valhalla North 1, Asgard 1 and Valhalla 1 and 2 wells on the EP 371 permit. The areas in which Contingent Resources were assigned are shown in the coloured squares on the following map and illustrated on the diagrammatic cross section. As the geology is interpreted to be continuous and the Prospective Resources are present between the two wells, and generally along the trend, these diagrams illustrate the potential for the addition of very material resources between and surrounding the two wells as more evaluation work is undertaken.



VANA area Contingent and Prospective resource locations



VANA cross section illustrating Contingent and Prospective resource extent

Contingent & Prospective Resources

D&M's estimate of the range of the gross estimated recoverable volumes of Contingent Resources and Prospective Resources for the Valhalla accumulation on EP 371 are provided below. Buru Energy has a 50% equity share of these resources:

CONTINGENT RESOURCES	Unrisked		
	1C (MMbbl/BCF)	2C (MMbbl/BCF)	3C (MMbbl/BCF)
Condensate	9	32	66
Natural Gas	455	1,533	2,981
Total BOE	85	288	563

PROSPECTIVE RESOURCES	Unrisked				Risked
	Low Case (MMbbl/BCF)	Best (MMbbl/BCF)	Mean (MMbbl/BCF)	High (MMbbl/BCF)	Mean (MMbbl/BCF)
Condensate	79	191	232	445	83
Natural Gas	5,607	11,482	13,024	22,368	5,234
Total BOE	1,014	2,105	2,403	4,173	956

- i. Evaluation date 31 March 2016. Probabilistic method used to prepare the estimates of contingent and prospective resources.
- ii. Qualified petroleum reserves and resources evaluator requirements are detailed in Buru Energy's ASX release of 18 April 2016. Buru Energy is not aware of any new information or data that materially affects the information included in that ASX release and all material assumptions and technical parameters underpinning the estimates in that release continue to apply and have not materially changed.
- iii. BOE refers to Barrels of Oil Equivalent – gas quantities are converted to BOE using 6,000 cubic feet of gas per barrel. Quoted estimates are rounded to the nearest whole BOE.
- iv. The estimates of contingent and prospective resources are the statistical aggregates of unconventional resources.
- v. Application of any risk factor to contingent resources quantities does not equate contingent resources with reserves.
- vi. There is no certainty that it will be commercially viable to produce any portion of the resources evaluated.
- vii. The low, best, high and mean case estimates for prospective resources are P90, P50, P10 and mean respectively. The mean is the average of the probabilistic resource distribution.
- viii. Pg (chance of geological success) has not been applied to the unrisked volume estimates of prospective resources.

To convert the identified Contingent Resources and Prospective Resources to Petroleum Reserves will require additional data to be acquired, and drilling to be carried out, including vertical and horizontal wells, together with extended production tests. There is extensive production from tight gas reservoirs internationally and there is a well understood and systematic process that can be undertaken to progress the resources to commercial production.

Forward Gas Program

The data acquired to date, together with the independent certification of the Contingent Resources in the VANA area has significantly advanced the project, with confidence that there is the potential for a material commercial development once further appraisal and evaluation work is undertaken.

The currently estimated gross Contingent Resources of 1.5 TCF is a sufficient volume to underpin a major commercial development if a suitable cost structure and market arrangement can be put in place. Buru has identified a relatively modest operational program that has the potential to increase the Contingent Resources by up to 3 TCF in the area of the evaluation and if this was achieved, further work would then focus on the commercialisation pathway.

In Buru's view, the work program leading to confirmation of a higher Contingent Resource volume is likely to include the further flow testing of the Valhalla North 1 and Asgard 1 wells, and the drilling of an additional well with a horizontal section.

Subject to the success of this Contingent Resource program, Buru is of the view that a further pilot program consisting of the drilling of a number of wells from a central pad could lead to the establishment of a local supply project probably using a compressed natural gas ("CNG") system. This project would then allow the conversion of Contingent Resources to Reserves and the scaling up of the project.

A full scale project delivering gas into the Pilbara and the Southwest would be able to supply a significant proportion of WA's future domestic gas needs. Planning for the forward program is underway now that the data obtained from the program has provided confidence of the scale and potential of the resource.

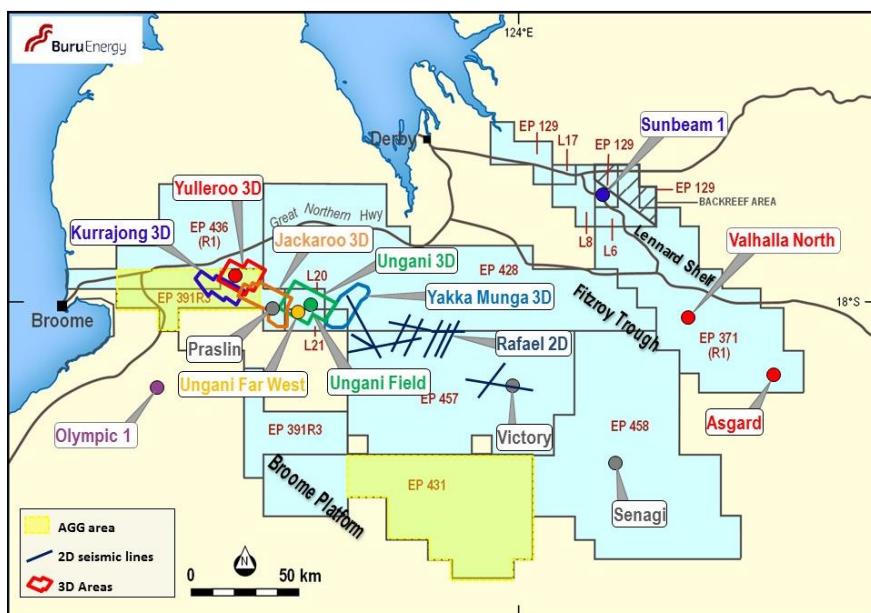
The forward program is subject to joint venture, regulatory and all other approvals required for a program of this nature. It should also be noted that in accordance with the definition of Contingent Resources that there is no certainty that it will be commercially viable to produce any portion of the resources, and that the contingent resources determined by D&M have an economic status of Undetermined, since the evaluations of those contingent resources are at a stage such that it is premature to clearly define the ultimate chance of commerciality.

Exploration forward plan

The interpretation of the large body of data obtained from the six wells drilled in 2016 and the merged 3D data set of over 1,050 sq kms continues to be fully assessed and integrated prior to further drilling activity in the area of the evaluation. The joint venture has agreed on a formal work plan and budget for this activity with completion in the third quarter. The forward exploration program for the area of the evaluation will be assessed at that time.

Buru considers the initial results of the evaluation to be very encouraging, with a number of high potential targets being mapped including substantial targets at the Anderson level where an oil column was intersected in the Ungani Far West 1 well.

The rig situation is also being assessed with a number of proposals having been made to the Company for the use of various rigs with a range of capabilities and these will be assessed as part of the review of the forward program options.



Location of 2015 exploration activities

Corporate

Sale of Yakka Munga Pastoral Station

The sale of the Yakka Munga Pastoral Station to Shanghai Zenith (Australia) Investment Holding Pty Ltd (“SZI”) for \$8.75 million is now unconditional and final transfer preparations are underway. In addition to the contracted sale price, SZI will pay the Company a further \$1.128 million for additional cattle on the property. This further payment means that Buru will receive a total of \$9.878 million before costs.

Buru originally acquired the Yakka Munga Pastoral Station in January 2015 for \$7.0 million. The station has been a profitable investment for the Company and the access deed entered into with the new owners will ensure we are able to carry out all of our petroleum activities whilst maintaining a mutually beneficial relationship with the pastoral activities of the new owners.

State Agreement

In 2013 Buru and Mitsubishi entered into a State Agreement with the Government of Western Australia which amongst other things required the Joint Venture to submit a proposal for the development of a domestic gas project and pipeline by 30 June 2016. By virtue of a variation approved by State Parliament this date has now been extended to 30 June 2018 and other consequential amendments have been made to give effect to this variation.

Financial

The ASX Appendix 5B attached to this report contains the Company’s cash flow statement for the quarter ended 30 June 2016. The material elements of the cash flows during the period were as follows, noting that the stated numbers include the timing effects of cash outflows and represents Buru Energy’s share:

- Exploration cash outflows of \$5.1m for the quarter (March 2016: \$1.6m), comprised primarily of the final payments of the Laurel Formation Tight Gas Pilot Exploration Program (TGS15).
- Ungani development expenditure of <\$0.1m for the quarter (March 2016: \$0.1m).
- Ungani production operating expenditure of \$0.7m for the quarter (March 2016: \$1.0m) which included costs of cleaning the export crude storage tanks.

- Corporate and administration costs of \$1.2m for the quarter (March 2016: \$1.3m) which was in line with expectations.

The Company recorded a net cash outflow of \$6.9m for the quarter (March 2016 net cash outflow \$3.0m) and at the end of the quarter had cash reserves of \$23.9m.

The Company is forecasting a cash inflow of \$12.5m in the September 2016 quarter:

- **Exploration:** Cash outflows are estimated at \$1.5m and primarily include Ungani oil trend evaluation, the ongoing technical TGS evaluation and ongoing desktop geological and geophysical work.
- **Development:** Nil.
- **Production:** Cash outflows are estimated at \$0.1m in relation to the Ungani oilfield care and maintenance costs.
- **Corporate and administration:** Cash outflows are estimated at \$1.2m, consistent with previous periods.
- **Research and development tax concession** – Cash inflow of \$5.8m has been received subsequent to the end of the quarter during July.
- **Yakka Munga Pastoral Station** – Cash inflow estimated at \$9.5m (after transaction costs) following settlement of the sale transaction.

The Company's cash position is being carefully monitored to ensure it can meet its commitments when they fall due.

Visit 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. Its flagship high quality conventional Ungani oilfield project is owned in 50/50 joint venture with Diamond Resources (Fitzroy) Pty Ltd. 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 June 2016

PERMIT	TYPE	OWNERSHIP	OPERATOR	LOCATION
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
EP129	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP371	Exploration permit	50.00%	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	50.00%	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	50.00%	Buru Energy Ltd	Canning Basin, WA
EP472*	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP473*	Exploration permit	50.00%	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 licence	100.00%	Buru Energy Ltd	Canning Basin, WA

* Application has been made to the DMP for the relinquishment of these permits

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
TGS	Laurel Formation Tight Gas Pilot Exploration Program
Mitsubishi or MC	Mitsubishi Corporation

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 June 2016

Consolidated statement of cash flows

	Current quarter \$A ('000)	Year to date (6 months) \$A ('000)
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	43	834
1.2 Payments for (a) exploration & evaluation	(5,070)	(6,659)
(b) development	(29)	(216)
(c) production	(660)	(1,645)
(d) administration	(1,211)	(2,480)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	177	443
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – pastoral station activities	(153)	(217)
Net operating cash flows	(6,903)	(9,940)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) fixed assets	-	-
(b) other	-	-
1.9 Proceeds from sale of:		
(a) fixed assets	-	-
1.10 Part repayment of Alcoa gas prepayment	-	-
Net investing cash flows	-	-
1.11 Total operating and investing cash flows (carried forward)	(6,903)	(9,940)

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.12	Total operating and investing cash flows (brought forward)	(6,903)	(9,940)
Cash flows related to financing activities			
1.13	Proceeds from issues of shares, options, etc.	-	-
1.14	Proceeds from sale of forfeited shares	-	-
1.15	Proceeds from borrowings	-	-
1.16	Repayment of loan	-	-
1.17	Dividends paid	-	-
1.18	Loan pursuant to the employee share acquisition scheme	-	-
Net financing cash flows		-	-
Net increase (decrease) in cash held		(6,903)	(9,940)
1.19	Cash at beginning of quarter/year to date	30,802	33,896
1.20	Exchange rate adjustments to item 1.20	27	(30)
Cash at end of quarter		23,926	23,926

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	231,592
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>Buru Energy and Alcoa of Australia Limited agreed to terminate their Gas Sales Agreement (GSA) during 2015 and to a staged repayment of the gas prepayment funding. Under the revised agreement, the remaining repayments of the gas prepayment are under the following terms:</p> <ul style="list-style-type: none"> - \$12,500,000 to be paid on 30 June 2017; and - \$12,500,000 to be paid on 30 June 2018, subject to financial criteria being met from 31 December 2017. 	
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	(1,500)
4.2 Development	-
4.3 Production (care and maintenance)	(100)
4.4 Administration	(1,200)
4.5 Research and development tax concession (cash inflow)	5,800
4.5 Sale of Yakka Munga Pastoral Lease (cash inflow)	9,500
Total (cash inflow)	12,500

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	3,843	7,762
5.2 Deposits at call	20,083	23,040
5.3 Bank overdraft	-	-
Total: cash at end of quarter	23,926	30,802

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	Note: Application to surrender the following permits were lodged with the DMP on 21 December 2015: EP 438, EP 471, EP 472, EP 473, EP 476, EP 477, EP 478		
6.2	Interests in mining tenements acquired or increased	No change in interest		

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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 (description)	N/A	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	339,997,078	339,997,078	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	- -	- -	- -	- -
7.5 +Convertible debt securities (description)	N/A	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)	4,050,000 3,950,000 <u>8,000,000</u>	-	Exercise price \$1.12 \$0.80	Expiry date 31 Dec 2016 31 Dec 2017
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	450,000 500,000 <u>950,000</u>	-	Exercise price \$1.12 \$0.80	Expiry date 31 Dec 2016 31 Dec 2017
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: 29 July 2016

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.