



Highlights

- **Production and sales** - year to date production of 172,535 bbls with four shipments totalling 143,317 bbls giving joint venture sales revenue of \$14.54 million (year to date sales revenue net to Buru Energy \$7.27 million)
- **Approvals** - regulatory approvals received for Laurel Formation Tight Gas Pilot Exploration Program (TGS)
- **Appraisal and Exploration Program** - planning underway for a drilling program of up to four wells and a series of production tests of previously identified discoveries
- **2014 2D seismic program** - commenced with the acquisition of the Commodore West survey and line preparation underway for the Mt Fenton survey
- **Cost savings initiatives** - cost reduction program implemented including staff and contractor reduction and internal re-organisation

Overview

The Directors of Buru Energy Limited ("Buru Energy") are pleased to provide the results for the quarter ended 30 June 2014.

Production and Development

Ungani Production Test Program

The Ungani 2 well continues to produce strongly with water cut of <2% in accordance with current modelling predictions. 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 June 2014: 172,535 bbls

Four shipments totalling 143,317 bbls have been made from the Port of Wyndham and the fifth shipment of 34,170 bbls has been sold and was lifted on 22 July 2014. The oil has all been sold into Asian refineries under the marketing agreement between Buru Energy and Mitsubishi.

A number of production rate tests have been carried out, and interference tests to investigate the communication between the Ungani 2 and Ungani 3 wells have also been completed, with this data currently being analysed. Preliminary data from this test program suggests good communication between the Ungani 2 and 3 wells, which has positive implications for reservoir distribution. The planned workover and production testing of Ungani 1 and an injection test on the Ungani 3 well during the next quarter will provide further production and reservoir data to calibrate the reservoir prediction models and provide more certainty about long term reservoir performance and oil recoveries.



Ungani 2 well head and Buru Energy field operator



Load out of Ungani crude from Ungani Field

Field Status

Ungani 1 ST1: The previous attempt to re-complete this well as a dual producer and water injector was not successful. The currently planned workover will be aimed at re-establishing oil production without the more complex dual completion system to allow water injection that was the objective of the previous workover. The well is capable of producing oil at high rates and a successful recompletion will provide additional production capability and will allow additional data gathering for the EPT phase and provide appropriate redundancy in the production system.

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 upgrade of Ungani facilities for permanent production is being reviewed to ensure the new facilities are “fit for purpose” and completed at lowest possible cost. The actual facility design is dependent on the predictions of reservoir performance that are being calibrated with the results of the EPT. Negotiations to access 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 are progressing satisfactorily.



Loading operations at the Port of Wyndham

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 undertaken.

Exploration

The principal exploration activities during the quarter included:

- Regulatory approvals for TGS (Laurel Formation Tight Gas Pilot Exploration Program).
- Progressing regulatory, Traditional Owner and joint venture approvals processes for the 2014 Appraisal and Exploration Programs.
- Tendering and review process for the drilling rigs for the 2014 exploration program and the Ungani 1 ST1 workover program.
- Commencement of the 2014 seismic program.

Regulatory approvals for TGS (Laurel Formation Tight Gas Pilot Exploration Program)

On 16 June 2014 the Western Australian Environment Minister upheld the Environmental Protection Authority's conclusion that Buru Energy's "small scale, limited duration 'proof of concept' exploration proposal is unlikely to have a significant effect on the environment", and that the DMP was the appropriate regulatory agency to assess and monitor the program.

The Laurel Formation Tight Gas Pilot Exploration Program was then formally approved by the Department of Mines and Petroleum (DMP) on 23 June 2014. DMP approval of the program now completes the regulatory approval process required for the program to proceed.

The DMP's determination included approval of the Environment Plan, as well as Operational and Safety Plans for the program.

In addition, the Yungngora Community at Noonkanbah Station announced their support for Buru Energy's Laurel Formation Tight Gas Pilot Exploration Program on 25 June 2014. The Company has also been informed that the Yawuru community at a meeting on 18 July stated that "Yawuru does not agree to the 2014/2015 fracking at Yulleroo, but if Buru Energy goes ahead with the fracking, Buru Energy must agree to meet environmental, cultural, social and economic conditions set by Yawuru". The Company remains fully engaged with Yawuru to ensure the agreed conditions in relation to the undertaking of its scheduled program are fully informed by the independent advisory process that Yawuru is undertaking, and is confident of maintaining a positive and mutually beneficial relationship with Yawuru.

Work program for second half of 2014

A work program for the second half of 2014 has been prepared and proposed to the various joint ventures. The work program is aimed at high impact low cost activity.

The proposed work program has a substantial component aimed at oil appraisal and exploration given the high economic value of oil production and the high value add of the identification of further reserves. The proposed program is subject to further approvals from joint venture parties, Traditional Owners and regulatory authorities.

In addition to the activities described above at Ungani 1ST1 and Ungani 3, the following oil value add activities are proposed.

Ungani North 1: It is proposed a test of this well will be undertaken using a low cost method to establish the flow potential of the Ungani Dolomite reservoir.

Paradise 1: This well identified an oil zone in the Winifred member of the Grant Formation during the original drilling of the well in 2010, and from which free oil was recovered in 2012 during well remediation operations. A simple low cost testing operation is planned to verify the oil productivity of this zone which is a significant “play opener” for the greater Paradise area.

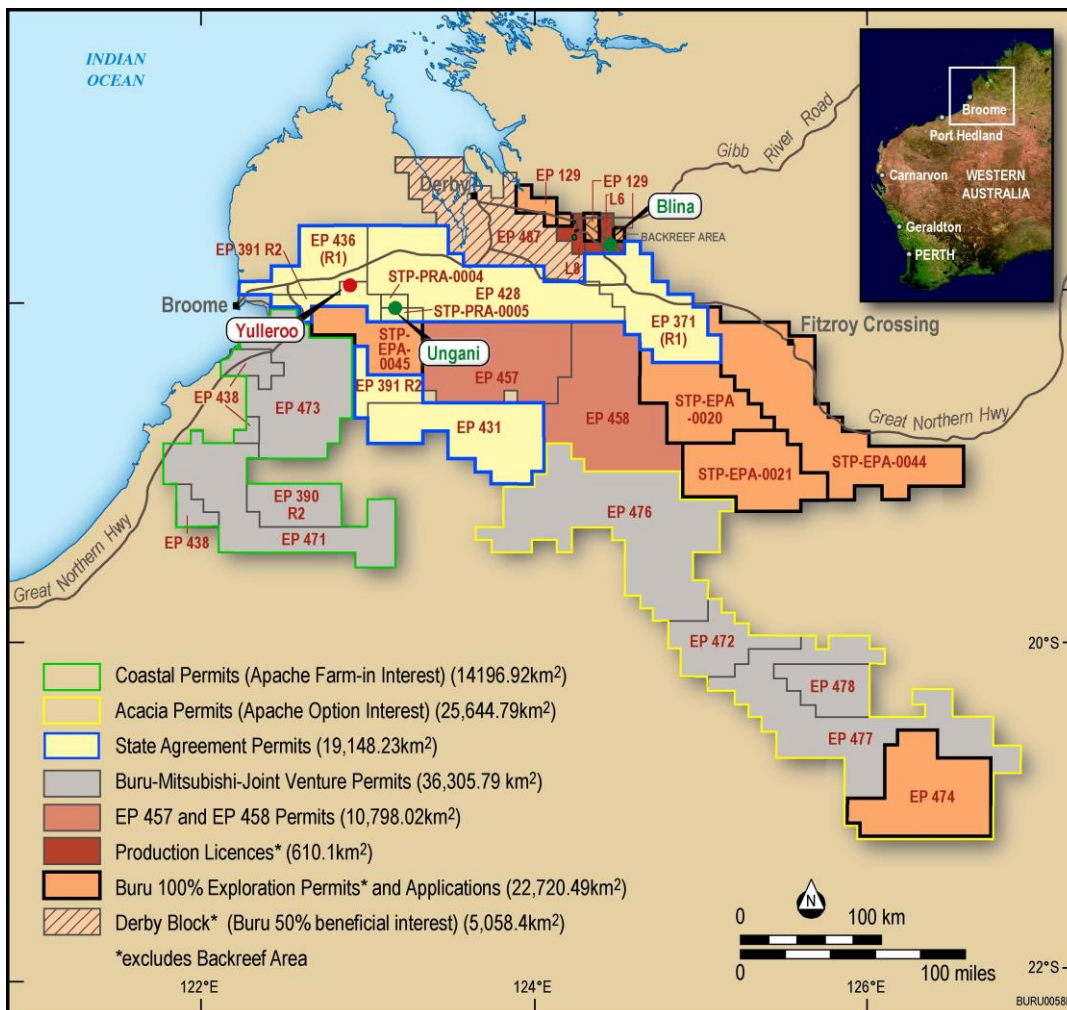
Exploration drilling

The Company intends to drill up to four exploration wells in the remainder of this year, focused on shallow, high value, oil targets.

Coastal wells: The Coastal farmout to Apache Corporation included the commitment by Apache to drill two wells at Apache’s cost.

These wells have been identified as Olympic 1 and Commodore 1 which are both located in the Kidson sub-basin and have both conventional and unconventional prospectivity. Both wells are relatively shallow (less than 1,500 metres) and will be drilled with a low cost, fit for purpose rig. The joint venture is currently in final negotiations for the supply of the rig from one of a number of rig providers who have submitted bids.

In addition, the Company is in negotiations to use the DCA7 rig, which is currently drilling in the Perth Basin, for the workover of Ungani 1 ST1. This rig would then also be available for the drilling of additional wells in the basin at low cost if required.



Buru Energy permit holdings

Fitzroy Trough exploration wells

Ungani trend: The Company has identified a number of shallow oil prospects on the greater Ungani trend that could be drilled with either of the two rigs it is in contract negotiations with, and is working with the various joint venture parties and other stakeholders to ensure that at least one of these prospects is drilled as part of this program.

One of these targets is located in EP 458. The Senagi prospect is a shallow (~800 metre) structural target which is updip from a mineral borehole that encountered a well developed Ungani Dolomite reservoir equivalent with significant oil shows. The drilling of this prospect or other targets along this trend is subject to joint venture, regulatory and Native Title agreements and approvals, and these processes have commenced.

EP 129: This permit in the Blina area is currently held 100% by Buru Energy and contains a number of shallow, high value oil targets. The Company is currently in discussions with a number of parties for them to farm in to this permit and participate in this year's drilling program.

Seismic programs

The Company has 2D and 3D seismic programs planned for 2014 to mature drilling targets for 2015, and to meet permit commitments, and has now commenced the 2D seismic program with the Commodore West survey.

2D seismic program: The Terrex seismic crew has completed line clearing for the 123 km Commodore West seismic survey in EP 471, and data acquisition has now commenced. The Terrex line clearing crew has now commenced line clearing operations for the Mt Fenton survey in EP 458.

There are up to a total of 800 kms of seismic planned in various permits that are currently subject to the receipt of heritage reports and various other approvals.

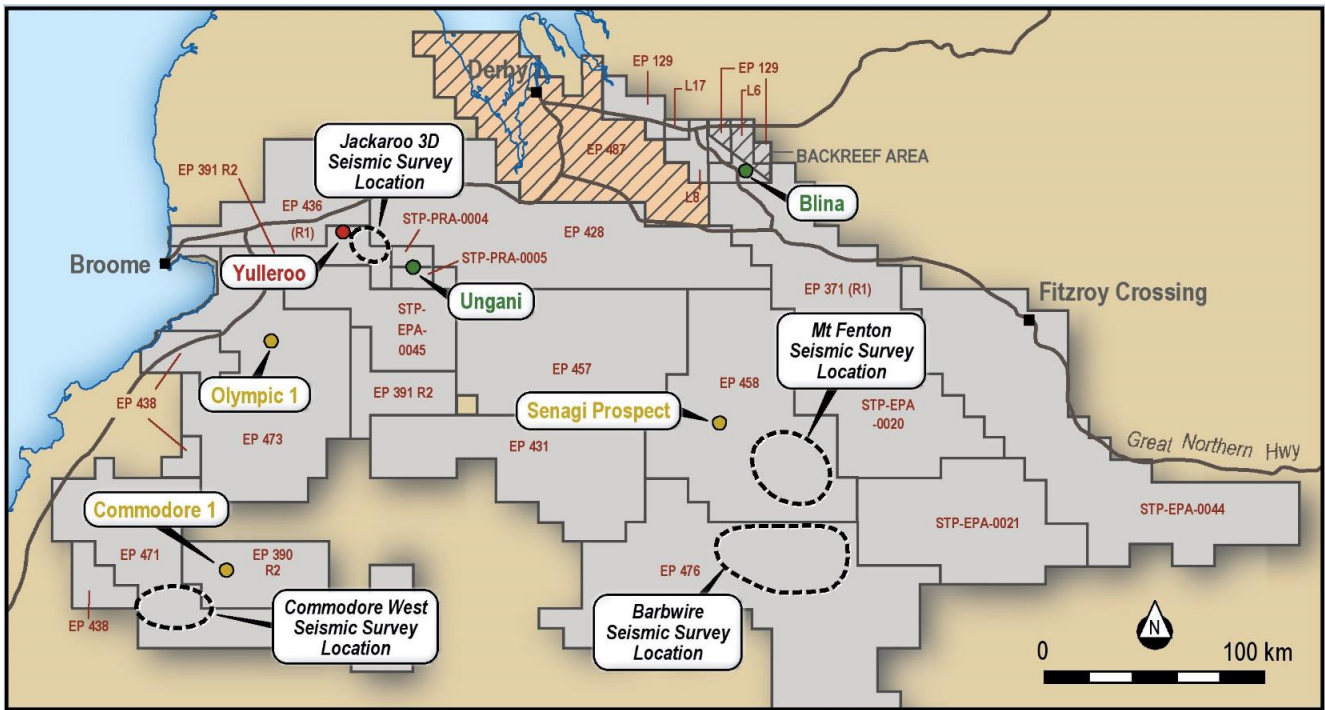
3D seismic program: The planned Jackaroo 3D seismic program is located between Yulleroo and Ungani and will join the two existing 3D grids to give seamless 3D coverage from Yulleroo to Ungani. It covers the currently identified Jackaroo prospect and a number of other oil prospects along trend. All regulatory approvals and heritage clearances have been obtained for this survey and the Terrex 3D seismic crew is available to undertake the survey subject to final joint venture approval.



Seismic vibrators at Commodore West survey



Seismic line crew



Well and seismic survey locations

TGS (Laurel Formation Tight Gas Pilot Exploration Program)

The previous success of the trial low impact reservoir stimulation of the Laurel Formation in the Yulleroo 2 well has demonstrated that the Laurel Formation will produce high quality wet gas at potentially economic rates with a relatively minor stimulation program, and this has led to the drilling of a series of exploration wells that have defined a major gas accumulation in the Laurel Formation. The Company is now preparing to undertake a larger scale program known as the TGS or Laurel Formation Tight Gas Pilot Exploration Program, to attempt to quantify the commercial viability of this accumulation by undertaking fracs and flow testing on a number of these wells.

The Company has now received all regulatory approvals required for the TGS program after undertaking a full and transparent consultation process that has included the extensive involvement of independent experts and the sourcing of world class technical expertise. These robust and thorough consultations and approval programs have been in train for nearly two years and have resulted in transparent and fact based approvals for the program.

The extensive and iterative nature of these approvals have also meant that the operational timeframes for undertaking the program have been compressed, as it was not possible to commence initial site and preparatory work until the approvals were received. In light of the fact the approvals have only recently been received, it has been necessary to undertake a full review of the planned execution and timing of the program.

This review has included operational considerations such as the availability of specialised technical equipment, the ability to complete the program prior to the wet season (including completing the flow back and testing program), and the costs of the program (which are affected by timing of the program and the ability to complete it in a way that maximises efficient equipment utilisation).

The results of this review have led the joint venture to adopt a three phased program. This phasing will ensure the program is undertaken in the most cost effective way and will also ensure the program meets all regulatory requirements and environmental standards.

Buru Energy's shareholders, the Kimberley community and the wider WA community can be assured that this phased approach ensures the best environmental outcome from the program with the highest probability of delivering definitive results.

The phased approach will consist of the following steps:

Phase 1: August to October 2014

- Well site preparation and civil works including the construction of the water holding and flowback fluid retention ponds, flare pits, and associated civil works. This work is complete at the Asgard site and underway at the Valhalla North site. These are major civil works required to support the currently planned frac configuration.
- Well conditioning to ensure the well bores contain an operationally appropriate brine solution. This work will be undertaken with a coiled tubing unit.
- Cement bond logging to confirm previously obtained data.
- Conducting of “mini fracs” or Diagnostic Fracture Injection Tests (DFITs). These are routinely conducted as part of frac programs and consist of fracs of a single zone by perforating the zone and injecting brine and observing the resultant pressure responses. This operation does not involve any flow back from the well and is performed with a relatively small crew and equipment package and does not require the mobilisation of the full frac crew. The data from these mini-fracs is used to optimise the design of the main fracs to ensure they provide definitive results at the lowest cost.

Phase 2: August 2014 to March 2015

Phase 2 is a planning, validation and optimisation phase to ensure all operations and logistics are optimised and all contracts are the most cost effective. The design of the fracs will also be reviewed incorporating the results from the DFITs to ensure the highest probability of obtaining definitive results at the lowest cost.

Phase 3: March to August 2015

This phase will include mobilisation of the frac spread, undertaking the fracs, and then a three month flow back period to ensure the data obtained will allow definitive decline curves to be calculated.

The current estimated total cost of the three phase program is in excess of \$40m. Buru Energy’s 50% share of this cost will be covered by the previously announced agreement with Alcoa.

Financial

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

- Exploration expenditure of \$5.0m for the quarter (March 2014 \$2.7m), comprising demobilisation costs for the Crusader 405 rig, site preparation and regulatory approvals for TGS, and planning and approvals for the 2014 drilling and seismic programs. The increase in exploration expenditure from the previous quarter has been impacted by delays in cash call payments from joint venture partners that were due during the current quarter and the receipt of a Research and Development tax rebate of \$3.5m in the previous quarter.
- Ungani development expenditure of \$1.3m for the quarter (March 2014 \$9.0m), the majority of which were costs associated with the drilling of the Ungani 3 well and the ongoing negotiations with Traditional Owner groups for a Production License.
- Ungani production operating expenditure of \$2.7m for the quarter (March 2014 \$2.1m). Cash inflows from sales of Ungani crude during the quarter were \$4.4m giving a net cash inflow from Ungani production of \$1.7m.
- Administration and corporate costs of \$3.5m for the quarter (March 2014 \$3.2m) consistent with prior periods. Costs for this quarter included significant redundancy costs, and administration and corporate costs are anticipated to be reduced in the second half of 2014 following a program of staff and cost reduction and internal re-organisation.

The Company recorded a net cash outflow of \$7.1m for the quarter (March 2013 \$15.5m) and at the end of the quarter had net cash reserves of \$37.6m.

The Company is forecasting a net cash outflow of some \$7.6m in the September 2014 quarter including:

- **Exploration** - \$3.2m of exploration costs are estimated to be payable in the September 2014 quarter, including costs associated with TGS Phase 1 (as described elsewhere in this report) and commencement of the 2014 2D and potentially 3D seismic programs, netted off against the anticipated receipt of outstanding Joint Venture cash calls.
- **Development** - \$3.8m is estimated to be payable in the September 2014 quarter including costs for a planned workover of Ungani 1 ST1, a re-completion of Ungani 3 and costs associated with the continued Traditional Owner negotiations and preparations for the full field development decision.
- **Production** - \$2.8m of production costs are estimated to be payable in the September 2014 quarter, being the operating costs for the Ungani EPT with cash inflows from sales estimated at \$4.8m giving a forecast net cash inflow of \$2.0m for the upcoming quarter.
- **Administration and Corporate** - \$2.6m in administration and corporate costs are estimated to be payable in the September 2014 quarter.

Cost Saving Initiatives

The focus on cost reduction remains a high priority and a program of staff and cost reduction and internal re-organisation has been implemented to ensure the Company's structure is fit for purpose. Several cost saving initiatives have now been implemented including:

- a ~30% reduction in total workforce (excluding field operations);
- a comprehensive review of cost/pricing from all our suppliers, consultants, contractors and other service providers; and
- the staged frac program.

These changes will substantially reduce overheads and introduce stringent cost controls into the business. This program is substantially complete and together with the recent Board changes have positioned Buru Energy to be a cost-competitive and efficient operator.

As part of this program, corporate engagement with the Company's principal joint venture partner, Mitsubishi Corporation, has been optimised to ensure continued program alignment going forward.

The decision to undertake the frac program in a series of phases has also allowed the Company to take a more measured approach to its discussions with potential farmin parties and these discussions will continue.

Corporate

Mr Graham Riley resigned as a Director and the Chairman of the Company at the 2014 AGM, with Eric Streitberg subsequently being appointed Executive Chairman of the Company. Two Independent Non-executive Directors, Ms Eve Howell and Mr Robert Willes, were subsequently appointed to the Board and the previous Managing Director of the Company, Dr Keiran Wulff, entered into an agreement with the Company under which he relinquished his executive position and resigned as a Director of the Company. Eric Streitberg assumed Dr Wulff's duties in his role as Executive Chairman. Eve and Robert's appointments bring a very substantial depth of experience in all facets of the petroleum industry including management, technical and commercial functions. Further details of their experience and qualifications are available on the Company's website.

The Board of the Company now comprises:

Mr Eric Streitberg	Executive Chairman
Hon Peter Jones	Independent Non-Executive Director
Ms Eve Howell	Independent Non-Executive Director
Mr Robert Willes	Independent Non-Executive Director

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, S&P/ASX200) 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 June 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

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.