Quarterly Report

Buru Energy

Quarter Ended 31 December 2012

Introduction

The directors of Buru are pleased to present this report for the quarter ended 31 December 2012. The final quarter of the 2012 calendar year was another very significant and successful one for Buru both operationally and corporately.

Operations included the drilling of the Asgard 1 well that confirmed the extension of the Valhalla wet gas accumulation some 35 kilometres along strike from the Valhalla wells, and the Ungani North 1 well. Ungani North encountered a significant oil column and confirmed the geological model for the area which has substantially de-risked the Ungani Dolomite oil prospects in the Ungani cluster. The Cyrene 1 well, an important test of the Goldwyer Shale, with an associated conventional oil target was also spudded during the quarter.

Production from the Ungani Field continued during the quarter with pressure and production performance continuing to be very encouraging, confirming the high quality of the reservoir and the ultimate production potential of the Field. During the quarter, the Company received a preliminary independent volumetric estimate by RISC of 9.9 million barrels of gross 2C contingent resources in the Ungani Field (Buru interest 50%), a 1.9 million barrel increase on previous estimates from production data.

Corporate activity was focused on securing and enhancing the Company's permit tenure and access to gas markets. This activity included entering into a landmark State Agreement with the Western Australian State Government that provides long term tenure over the Company's most prospective acreage, and also facilitates the development of the planned domestic gas project and pipeline that will provide gas into the domestic and industrial markets in the southwest of the State.

Buru and Alcoa also agreed to a further two year extension of the Gas Supply Agreement between Buru and Alcoa to supply gas to Alcoa's operations to the south of Perth. This contract provides Buru with the security of a foundation domestic gas customer while appraisal of the wet gas accumulations at Yulleroo and Valhalla is being undertaken.

The Company is also moving quickly and decisively to ensure it has the appropriate people in place for the development phase of its assets, with the appointment of Dr Keiran Wulff as Managing Director, together with continued strengthening of the Company's management team. Chris Bath, the Company's Chief Financial Officer was also appointed to the position of Company Secretary to appropriately resource the corporate side of the business.

Overview

The key operational activities for the quarter were:

- the completion of drilling operations at the Asgard 1 well;
- the completion of drilling operations at the Ungani North 1 well;
- the commencement of drilling operations at the Cyrene 1 well;
- continued oil production from the extended production test (**EPT**) phase of the development of the Ungani Field;
- the commencement and subsequent suspension of the Ungani 3D seismic survey;

- planning, in conjunction with Mitsubishi, for the full field development of the Ungani Field;
- planning, in conjunction with Mitsubishi, for the 2013 Appraisal and Exploration Program; and
- progressing the regulatory, Traditional Owner and joint venture approvals process for the 2013 Appraisal and Exploration Program.

The key corporate activities for the quarter were the:

- execution of the State Agreement by Buru and Mitsubishi and the Western Australian State Government;
- extension of the Alcoa Gas Supply Agreement for an additional two years; and
- the appointment of Keiran Wulff as Managing Director.

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:

- exploration expenditure of $9,982,747 for the quarter (Sep 2012: $13,032,711), the majority of which are costs associated with drilling operations at the Yulleroo 3 and Asgard 1 wells, the deepening of the Ungani North 1 well, the conduct of the Yakka Munga and Asgard 2D seismic surveys, and the commencement of the Ungani 3D seismic survey;
- the payment of $22.4 million as final consideration for the acquisition of a 90% interest in EP 457 and EP 458;
- the completion of a capital raising of $40 million (before costs) by way of a placement to institutional investors to fund the acquisition of EP 457 and EP 458;
- oil production from the Blina and Sundown oilfields produced a net cash operating surplus of $73,942 for the quarter (Sep 2012: net cash operating inflow $42,602). The Ungani EPT produced a net cash operating surplus of $303,894 in the December quarter (Sep 2012: net cash operating surplus $144,243); and
- administration, technical and other operating costs of $3,317,144 (Sep 2012: $2,656,202), the increase reflecting the growth in staff and organisational structure required for the development of the Ungani Field and the conduct of the planned 2013 Appraisal and Exploration Program.

The Company recorded a net cash inflow of $4.1 million (before exchange rate adjustments) for the quarter (Sep 2012: net cash outflow $23.9 million).

At the end of the quarter the Company had net cash reserves of $41.6 million (Sep 2012: $37.8 million).

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

- **Exploration** – $11 million of exploration costs are expected to be payable in the March 2013 quarter, being the Company's share of the expenditure for the Yulleroo 4 and Cyrene 1 wells and including payments for some of the exploration expenditure incurred during the previous quarter.
- **Development** - $0.5 million of development costs are forecast for further development of the Ungani Field.
- **Production** – Costs of production of approximately $2 million are forecast in the March 2013 quarter in relation to the Blina and Sundown oilfields, and the ongoing operation of the EPT. Production is expected to continue to generate an operating cash surplus.

- **Administration** – $3 million in administration costs are expected to be payable in the March 2013 quarter, consistent with previous quarters.

Production and Development

Blina and Sundown Oil Fields

Oil sales from the Company's Blina and Sundown oilfields, in the L6 and L8 production licences, averaged approximately 39 bopd for the quarter (Sep 2012: approximately 33 bopd). Oil production generated cash receipts during the quarter of $425,559 (Sep 2012: $388,667). The fields produced a net cash operating surplus of $73,942 for the quarter (Sep 2012: net cash operating surplus $42,602). The Company continues to assess possible options to improve production levels from the fields.

Ungani Field Extended Production Test and Volumetric Estimates

The Ungani Field Extended Production Test continued during the quarter with very encouraging production performance confirming the high quality of the reservoir and the ultimate production potential of the Field. Ungani 1 produced 4,650 barrels of oil during October and was shut in during November and December, while Ungani 2 produced 34,145 barrels during the quarter.

As at the end of the quarter a total of 76,609 barrels of oil had been produced from the Field, with Ungani 1 producing some 12,861 barrels of oil and Ungani 2 producing some 63,748 barrels of oil since the commencement of the clean-up flows.

The results to date indicate that, as initially modelled, and in common with other fields with high quality reservoirs, horizontal production wells drilled along the top of the reservoir for lengths up to 2,000 metres will be capable of high oil production rates at low water cuts for extended periods. It is therefore expected that the Field will be able to be developed with between two and four horizontal wells. Once the full field development plan is finalised, the Ungani 1 and 2 vertical wells can be converted to horizontal wells or recompleted to a more optimal configuration.

Buru's initial volumetric estimates of recoverable resources for the Ungani Field were between 5 and 20 million barrels. These volumes were calculated from Buru's interpretation of the existing sparse 2D seismic data and Buru's interpretation of the reservoir data from the Ungani 1 and 2 wells. The initial analysis of the pressure data obtained to the date of the last shut in period during October suggested a minimum recoverable resource of some 8 million barrels, with further data and appraisal well intersections being needed to effectively quantify the upside from the 8 million barrels interpreted from the pressure response of the current wells. These analyses also indicated that the current production rates and produced volumes were likely to lead to water cuts similar to, or greater than, those that are currently being seen.

The next iteration of the volumetric estimates was expected to take place after the 3D seismic data was acquired. Due to the delay in the acquisition of the 3D seismic, it was decided to have Buru's existing volumetric estimates independently reassessed by RISC. RISC's independent estimate, using probabilistic methods on the basis of the currently available volumetric data, including RISC's mapping of the existing sparse 2D seismic data, and their interpretation of the petrophysical data from the wells, is of a gross 2C contingent resource of 9.9 million barrels (Buru interest 50%). RISC's independent analysis supports the mid case resource range estimated by Buru and leaves the upside case to be determined by additional seismic data and appraisal wells.

Planning for Ungani Full Field Development

Full production from the Field requires the issue by the Western Australian DMP of a Production Licence. The Production Licence requires the development of a Field Development Plan (**FDP**), and the approval by the DMP of this plan. It also requires the execution of a Production Agreement between Buru and the Traditional Owners of the Ungani area, and negotiations in that regard were continued during the quarter.

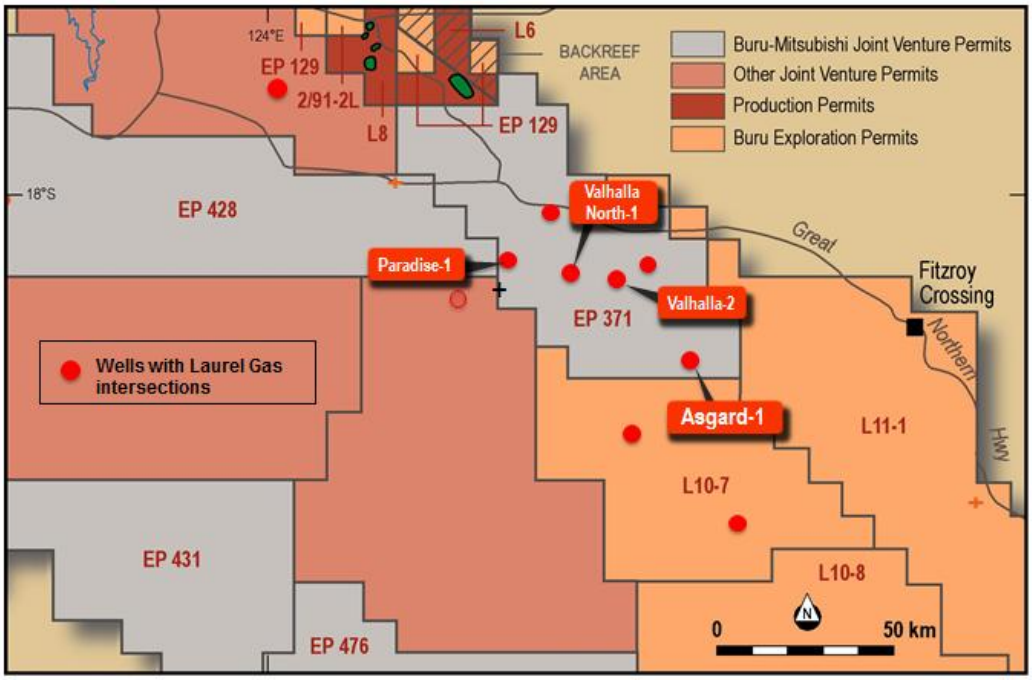
The FDP, together with key environmental management documents for the Field, have been submitted to the DMP for review and approval. These documents will be refined on an iterative basis as more analysis of the Field and long term production options is undertaken.

Drilling

During the quarter the Company completed drilling the Asgard 1 well and the Ungani North 1 well. Drilling operations were also commenced at the Cyrene 1 well by Key Petroleum as operator for the well. Subsequent to the end of the quarter, drilling operations commenced at the Yulleroo 4 well on 19 January with Ensign Rig #32.

Asgard 1

Asgard 1 was the fifth well to be drilled in the 2012 Appraisal and Exploration Program. The well is located in Exploration Permit EP 371 some 180 kilometres to the southeast of Derby, and 30 kilometres northeast of Noonkanbah Station. Buru and MC each have a 50% interest in this well and in EP 371, with MC contributing 80% of the cost of the well under the terms of its farm-in agreement with Buru.



During drilling, gas shows increasing with depth were encountered from the top of the Upper Laurel Clastics at approximately 1,919 metres measured depth to the revised total depth of 3,524 metres. The well was deepened to this revised total depth as strong gas shows in discrete sand units were still being encountered close to the original proposed total depth of 3,400 metres.

These gas shows are similar to those encountered in Valhalla North 1, with similar gas wetness ratios and heavier hydrocarbon indications. During logging operations hole conditions deteriorated, and the planned full log suite, including the wireline pressure and sample measurements, was not able to be obtained. However, the logs obtained were sufficient to provide the data required to assess the potential of the well, and indicated gas saturations over the extent of the Laurel section in tight sands, silts and limestones. A limited set of rotary sidewall cores was able to be obtained, including from the section close to total depth, where gas was noted bleeding from the sidewall cores at surface, and also from the section close to the top of the Laurel Formation where gas was also noted bleeding from a sidewall core at surface.

These results are similar to the results of the Valhalla wells and provide further confirmation of the extent of the Basin Centred Gas Accumulation identified by these wells. In addition to the similarities to the Valhalla wells in gas wetness and balance ratios, there are also interesting differences in the geology, including the identification of a potential new play type in the Lower Laurel section with strong gas shows, which led to the deepening of the well past the original proposed total depth.

Ungani North 1

Ungani North 1 was the fourth well to be drilled in the 2012 Appraisal and Exploration Program. The well is located in exploration permit EP 391 some 100 kilometres to the east of Broome, and lies some six kilometres north of the Ungani Production Facility. Buru and MC each have a 50% interest in this well and in EP 391, with MC and Buru each contributing 50% of the cost of the well.

The Ungani North 1 well was suspended in August 2012 after being drilled to a depth of 2,292 metres. The suspension was subsequent to a mechanical failure on MB Century Rig #7 which resulted in damage to the top drive and parts of the rig substructure. The rig was released after the well had been suspended. Drilling recommenced using Ensign Rig #32 in October 2012.

Ungani North 1 was the first well drilled to follow up the Ungani oil discovery, and encountered a thicker sealing shale over the Ungani Dolomite oil zone than is present at Ungani, and what is interpreted to be an oil column of approximately 46 metres at the top of a much thicker dolomite reservoir section than is present at Ungani.

The reservoir in Ungani North 1 does not have as well developed vugular porosity as the reservoir in Ungani, such that flow rates are likely to be lower than in Ungani. However, flow testing is required to determine the rate, with even low rates being commercially attractive given its proximity to the Ungani infrastructure, some six kilometres away.

The Ungani North 1 well has confirmed the geological model for the area and substantially de-risked the other Ungani Dolomite oil prospects in the trend.

Ungani North 1 also encountered strong oil and gas shows in the Nullara Formation below the Ungani Dolomite in a section that has not been encountered in the basin before in this geological setting. This section appears to be gas saturated with strong indications of oil. The logging program has confirmed that several zones which had excellent gas shows also have interpreted conventional porosity in fractures and vugs. If these zones flow gas at commercial rates this will be a conventional gas discovery in what is mapped as a large structural closure at Ungani North. More broadly, this result has identified the potential for a new conventional gas play which may be present as an exploration target for at least 100 kilometres along the southern margin of the basin.

The well was completed to total depth with 7 inch casing and the evaluation and testing program is under review. The testing program will require all necessary approvals and the mobilisation of specialist equipment. It is intended to progress these as quickly as practicable to ensure the evaluation of the well is completed in a timely manner, but until these reviews and programs are completed early this year, it is not possible to be specific about the program and timing.

Cyrene 1

The Cyrene 1 well is being drilled in the EP 438 permit by Key Petroleum as operator for the well, and is targeting a conventional oil target in the Willara Formation carbonates. The well is also targeting the overlying section of Goldwyer Shale which has unconventional prospectivity for oil and wet gas.

The conventional target in this well has the capacity to hold in the order of 5 million barrels of recoverable oil, if hydrocarbons are present. The unconventional target in this well is a 135 metre thick section of the Goldwyer Shale. The Goldwyer Shale is present, regionally extensive, and has been penetrated by a number of wells on Buru's permits. The Goldwyer is in the oil window at the Cyrene location and in the wet gas window in other areas of Buru's permits where it is buried deeper than at the Cyrene location. The EP 438 joint venture will be undertaking an extensive coring program to provide a full suite of modern data for analysis and evaluation of the Goldwyer Shale at this location.

The drilling crew was demobilised during the Christmas/New Year break after 9⅝ inch surface casing was set to 191 metres measured depth. Drilling recommenced on 18 January 2013.

Exploration

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

- the commencement and subsequent suspension of the acquisition of the Ungani 3D seismic survey;
- planning, in conjunction with Mitsubishi for the 2013 Appraisal and Exploration Program; and

- progressing the regulatory, Traditional Owner and joint venture approvals process for the 2013 Appraisal and Exploration Program.

Commencement and subsequent suspension of Ungani 3D Seismic Survey

Acquisition of the Ungani 3D seismic survey by Terrex Seismic was commenced on 22 October 2012. Once completed, the 3D survey will cover the Ungani and Ungani North structures and will be an important component in the determination of the size and boundaries of the Ungani Oilfield.

On 25 October 2012 a possible heritage disturbance was formally reported to Buru by KRED Enterprises on behalf of the Nyikina Mangala Traditional Owners. This was in a small area of the survey where line preparation had been completed but seismic data acquisition had not yet commenced.

All seismic operations in the Ungani area, not just in the area of the alleged disturbance, were immediately suspended when the matter was brought to the Company's attention, and the Terrex crew was put on standby.

Buru has since been co-operating with the Department of Indigenous Affairs (**DIA**) which is conducting an investigation, including a field inspection.

Taking into account both Buru's desire to ensure Traditional Owners concerns are addressed, and the DIA investigation is able to be completed without interruption or distraction, together with the potential for the redesign of the survey to ensure the Ungani North structure is fully detailed, the decision was taken to demobilise the Terrex seismic crew. Both the Ungani 3D survey and the planned Commodore 2D survey are now planned to be undertaken at the commencement of the dry season in 2013, subject to crew availability at the time.

The delay in acquiring the 3D seismic may affect the timing of the appraisal and development drilling on the Ungani Oilfield, and the Company will be reviewing the options for the forward program to ensure that the Production Licence for the Ungani Oilfield can be issued during 2013 and the ramp up to full production across 2013 and 2014 can continue as planned.

The Company reiterates that it takes particular care to ensure that it is always very respectful of Traditional Owner cultural values, as demonstrated by its willingness to defer the Commodore and Ungani surveys until all heritage matters are resolved.

Planning for the upcoming 2013 Appraisal and Exploration Program

During the quarter the joint venture continued planning for the 2013 Appraisal and Exploration Program.

Drilling operations have now commenced at the first well for the 2013 Appraisal and Exploration Program being Yulleroo 4. The purpose of this well is to further appraise the Yulleroo wet gas accumulation and confirm the presence of a significant basin centred gas accumulation.

The 2013 program is likely to include a series of oil exploration wells on both the Ungani trend and in the Acacia area. The unconventional program will be influenced by the results of the Yulleroo 4 well and the current technical analysis of the wells drilled during 2012. The selection of drilling rigs for the program will be completed once the program is confirmed and joint venture discussions and approvals are completed.

Approvals Process

During the quarter the Company continued the regulatory approval processes required for the 2013 Appraisal and Exploration Program. Detailed operational, environmental and health and safety management plans are being submitted for assessment by the DMP as they are prepared.

Discussions also continued with Traditional Owners on whose lands the 2013 Appraisal and Exploration Programs is being conducted.

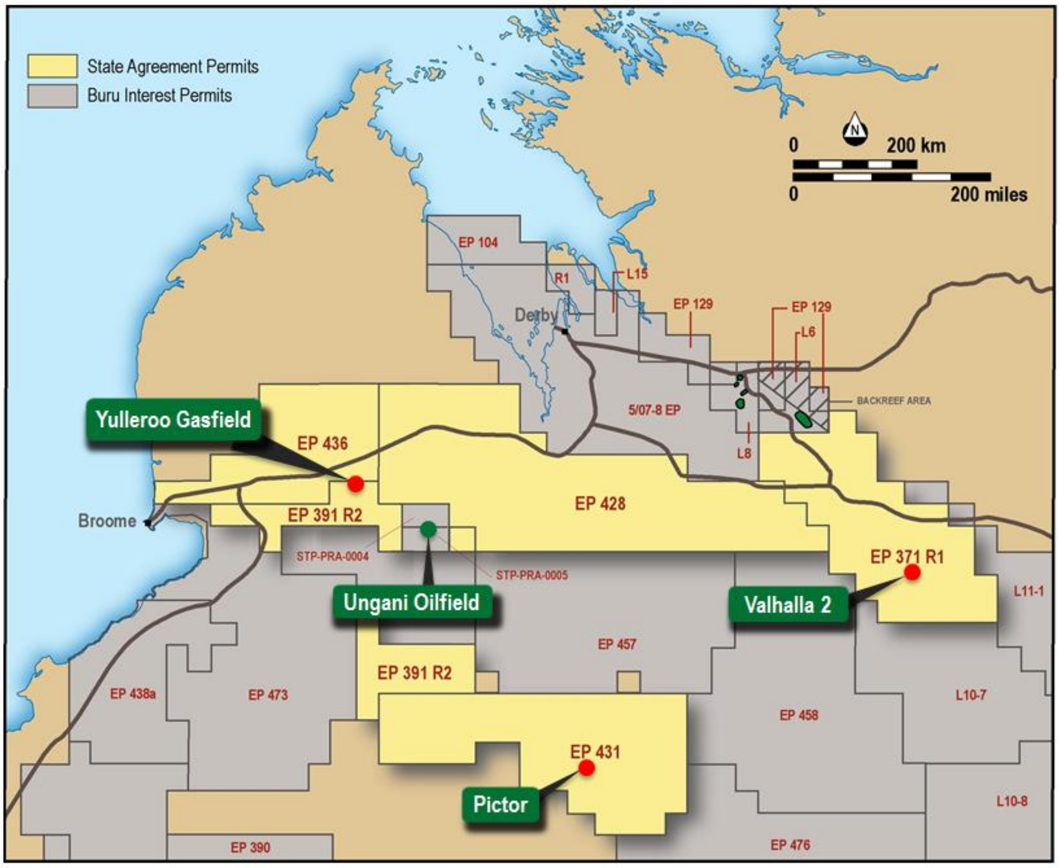
Corporate

The key corporate activities for the quarter were:

- the execution of a State Agreement with the West Australian State Government;
- a further two year extension of the Gas Supply Agreement between Buru and Alcoa; and
- the continued transformation of the Company's Senior Management Team and Board to build appropriate capability.

Execution of State Agreement

Buru entered into an agreement with the Western Australian State Government (**State Agreement**) to provide long term tenure over the Company's most prospective acreage and facilitate the development of a domestic gas project and pipeline, once sufficient gas reserves are identified.



State Agreement

The State Agreement has been entered into between the State of Western Australia, Buru and Mitsubishi. Once approved by the Parliament, the State Agreement will govern the exploration of the Permits and associated development activities for at least 25 years, subject to certain rights of termination able to be exercised by the State, Buru and Mitsubishi.

The State Agreement provides for each of the permits covered by the agreement to be exempted until 31 January 2024 from the regulatory requirement to periodically relinquish 50% of the area of the permits, subject to meeting the exploration, appraisal and development obligations under the State Agreement. This provides Buru and Mitsubishi with a significant extension to the existing permit terms in which to explore, appraise and develop this highly prospective area. Work programs will be able to be optimised by the flexibility given by the State Agreement to credit gas appraisal work on adjacent Permits against ongoing statutory work commitments.

During the term of the State Agreement, Buru and Mitsubishi have committed to the continued exploration, appraisal and, if technically viable, development of the gas resources of the Permits with the objective of delivering gas into the Western Australian domestic gas market. The State Agreement is targeting the delivery of at least 1,500PJ of gas into the domestic market over 25 years. Buru and MC are required to submit a proposal for the development of a domestic gas project and pipeline by 30 June 2016.

Under the State Agreement the Department of State Development (**DSD**) takes on a lead agency role, working with the other relevant Government agencies, including the Department of Mines and Petroleum, to facilitate the development of the domestic gas project. DSD's role under the State Agreement is an important enabler of the development, providing a mechanism for the co-ordinated and efficient management of the various approval processes required for the development of the domestic gas pipeline and project. The State Agreement also provides a framework for the development of a future project to provide gas to an LNG facility in the Pilbara once the domestic gas pipeline and project have been approved.

The Permits

The Permits cover the core of Buru's most prospective acreage, encompassing the Valhalla and Yulleroo wet gas accumulations and the Ungani oil trend. These areas are expected to be a key focus for Buru and MC's exploration, appraisal and development program over the coming years.

By exempting Buru and MC from the relinquishment requirements in respect of these Permits, the value created by the extensive exploration and appraisal program in the past three years is preserved. The facilitation role played by DSD will allow the Permits to be developed in the most efficient and effective way.

Extension of Gas Supply Agreement

During the quarter Buru and Alcoa of Australia Limited (**Alcoa**) agreed to a further two year extension of the Gas Supply Agreement between Buru and Alcoa (**GSA**) to supply gas to Alcoa's operations in the southwest of Western Australia. The GSA provides for Buru to deliver up to 500 PJ of gas to Alcoa from discoveries made in the Canning Superbasin. Pursuant to the GSA, Alcoa originally made a $40 million prepayment for gas to be delivered under the GSA (**Alcoa Prepayment**).

As a result of the extension, Buru now has until 1 January 2015 to identify sufficient gas to commence delivery under the GSA. If, by 1 January 2015, Buru has not made a final investment decision to proceed with a gas development that would supply sufficient gas to meet its initial delivery obligations under the GSA of 400 PJ, Buru will then be obliged to repay the Alcoa Prepayment in three equal annual instalments commencing on 31 December 2015. The third instalment may be satisfied with cash or Buru shares, at Buru's election. Buru currently holds $24.8 million in escrow in partial satisfaction of Buru's potential obligation to repay the Alcoa Prepayment.

Importantly, the extension, combined with the long term tenure and ability to optimise work programs provided by the State Agreement will ensure Buru is able to appraise both the Yulleroo Field and the Valhalla accumulation, and the wider Laurel Formation BCGA, in the most timely and operationally efficient manner. The extension of the GSA is an important part of the Company's gas commercialisation strategy. Alcoa is a "blue chip" customer able to take as a single off-take the volumes of gas needed to provide the financial security to develop the Great Northern Pipeline and, should commercial gas reserves be proven during the contract term, will facilitate the Company satisfying its commitment to develop a domestic gas project under the State Agreement. Having a "blue chip" customer is also an important step to allow the conversion of contingent gas resources into bankable gas reserves.

Appointment of Managing Director

Further significant strengthening of the Company's senior management team occurred during the quarter, with Dr Keiran Wulff, previously a Non-executive Director of the Company, being appointed as the Company's Managing Director with effect from 14 January 2013. Mr Eric Streitberg will continue in the role of Buru's Executive Director.

As Managing Director, Dr Wulff will have responsibility for the Company's day to day operations and for delivery of a forward program to capitalise on the enormous value identified in the Company's world class asset portfolio. He will in particular be focusing on the near term commercialisation of the Ungani Oilfield and exploration of the Ungani oil trend, and on the continued development of the very significant potential of the Company's gas resources. He will also be focused on building the Company's organisational strength, and it is expected that additional senior management appointments will be made to ensure the Company has the internal capability to deliver on its strategic objectives.

This appointment will allow Mr Streitberg to focus on the strategic and technical aspects of the management of the Company's asset portfolio, where he will work closely with Dr Wulff to ensure value is added for shareholders as effectively as possible.

Dr Wulff's appointment provides further depth, strength and balance to the Company's dynamic senior leadership team. The development of a well rounded and first class management team is an important part of Buru's transition into a leading Western Australian oil and gas producer.

Appointment of Company Secretary

Chris Bath has been appointed as Joint Company Secretary, with effect from 1 November 2012. Mr Bath is currently the Company's Chief Financial Officer. He is a Chartered Accountant and a Member of the Australian Institute of Company Directors.

Mr Tom Streitberg continues to act as Joint Company Secretary with Mr Bath on a transitional basis.

Executive Director's Comments

> *"The final quarter for the 2012 calendar year was another very active and positive one for Buru. The results of the Asgard 1 well exceeded our expectations, and while the reservoir at Ungani North does not appear to be quite as good as that at the Ungani Field, the well confirmed the geological model for the Ungani trend with its many additional prospects.*
>
> *The quarter also saw Buru forge a new partnership with the West Australian State Government and reaffirm our partnership with Alcoa. The State Agreement will be hugely beneficial to the Joint Venture ensuring that we have the time to prove up the most prospective plays on our core acreage. The extension of the Alcoa Gas Supply Agreement complements the State Agreement as it again provides us with additional time to prove up sufficient reserves to meet our obligations under the Alcoa agreement and the development of our domestic gas project.*
>
> *The Ungani Field continues to perform well with RISC's independent analysis of a gross 2C contingent resource of 9.9 million barrels supporting the resource range estimated by Buru and leaving the upside case to be determined by additional seismic data and appraisal wells.*
>
> *The appointment of our new Managing Director, Dr Keiran Wulff also ensures that the Company has the right senior executive team to deliver on Buru's potential in the coming years."*

Eric Streitberg
Executive Director

Glossary

2D	Two dimensional seismic survey
3D	Three dimensional seismic survey
Alcoa	Alcoa of Australia Limited
Bopd	Barrels of oil per day
Buru or the Company	Buru Energy Limited (ASX code: BRU)
Century	Century Energy Services Pty Limited
DMP	Western Australian Department of Mines and Petroleum
Ensign	Ensign Australia Pty Ltd
EPT	Extended production test
FDP	Full field development plan
Mitsubishi	Mitsubishi Corporation
PJ	Petajoule of sales gas
Rig #32	Ensign Rig #32
Rig #7	Century Rig #7
TCF	Trillion cubic feet of gas

Rule 5.3

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	Quarter ended ("current quarter")
71 130 651 437	31 December 2012

Consolidated statement of cash flows

			Current quarter $A	Year to date (6 months) $A
Cash flows related to operating activities				
1.1	Receipts from product sales and related debtors		2,627,428	5,377,402
1.2	Payments for	(a) exploration & evaluation	(9,982,747)	(23,015,458)
		(b) acquired exploration	(22,400,000)	(36,000,000)
		(c) development	(640,465)	(827,854)
		(d) production	(1,907,166)	(3,270,556)
		(e) administration	(3,317,144)	(5,973,346)
1.3	Dividends received		-	-
1.4	Interest and other items of a similar nature received		692,094	1,703,454
1.5	Interest and other costs of finance paid		-	-
1.6	Income taxes paid		-	-
1.7	Payments for restoration to existing producing assets			
1.8	Joint venture partner's share of technical and administrative expenditure		-	3,740,000
	Net operating cash flows		**(34,928,000)**	**(58,266,358)**
Cash flows related to investing activities				
1.8	Payment for purchases of:	(a) fixed assets	(477,091)	(1,072,410)
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		**(477,091)**	**(1,072,410)**
1.13	Total operating and investing cash flows (carried forward)		(35,405,091)	(59,338,768)

1.13	Total operating and investing cash flows (brought forward)	(35,405,091)	(59,338,768)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	39,078,865	39,109,865
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	402,000	402,000
	Net financing cash flows	**39,480,865**	**39,511,865**
	Net increase (decrease) in cash held	**4,075,774**	**(19,826,903)**
1.20	Cash at beginning of quarter/year to date	62,313,929	86,234,854
1.21	Exchange rate adjustments to item 1.20	12,107	(6,141)
	Cash at end of quarter including cash held in escrow	**66,401,810**	**66,401,810**
	Less cash held in escrow	(24,802,675)	(24,802,675)
1.22	**Cash at end of quarter**	**41,599,135**	**41,599,135**

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	643,000
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
	Buru Energy Ltd ("Buru") and Alcoa of Australia Ltd ("Alcoa") have agreed to escrow $20,000,000 and interest thereon in partial satisfaction of Buru's obligations to repay a $40,000,000 gas prepayment made by Alcoa. These financial obligations crystallise if Buru does not deliver gas under the gas sales agreement between Alcoa and Buru from gas supplied from the Canning Basin or elsewhere, with repayment obligations being in three equal annual instalments commencing 31 December 2015. This cash balance in escrow has received interest totalling $4,802,675 taking the total escrowed cash balance to $24,802,675.

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
4.1	Exploration and evaluation	11,000,000
4.2	Development	500,000
4.3	Production	2,000,000
4.4	Administration	3,000,000
	Total	**16,500,000**

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	Previous quarter $A
5.1	Cash on hand and at bank	5,860,021	2,583,046
5.2	Deposits at call	35,739,114	35,209,432
5.3	Bank overdraft	-	-
	Total: cash at end of quarter (item 1.22)	**41,599,135**	**37,792,478**
	Cash held in escrow	24,802,675	24,521,451
	Total: cash at end of quarter including cash held in escrow	**66,401,810**	**62,313,929**

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	N/A			
6.2	Interests in mining tenements acquired or increased	EP 457 EP 458	Direct interest in EP 457 and EP 458.	Nil	90%

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** *(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**	273,769,554	273,769,554	N/A	N/A
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	 14,545,455 480,000 290,000 15,000 2,666,332 1,550,162 1,467,167 1,393,393 329,901 22,737,410	 14,545,455 480,000 290,000 15,000 2,666,332 1,550,162 1,467,167 1,393,393 329,901 22,737,410	 $2.75 $0.48 $0.75 $1.24 $0.48 $1.03 $1.12 $1.20 $1.24	 $2.75 $0.48 $0.75 $1.24 $0.48(1) $1.03(1) $1.12(1) $1.20(1) $1.24(1)

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)*	1,177,000 50,000 320,000 1,535,800 180,000 3,262,800	- - - - -	***Exercise price*** $1.24 $1.58 $1.86 $4.04 $4.13	***Expiry date*** 31 Dec 2013 31 Dec 2013 31 Dec 2013 31 Dec 2014 31 Dec 2014
7.8	Issued during quarter	1,535,800 180,000	- -	$4.04 $4.13	31 Dec 2014 31 Dec 2014
7.9	Exercised during quarter	480,000 290,000 15,000 3,240,000 2,500,000 2,500,000 2,500,000 608,000	- - - - - - - -	$0.48 $0.75 $1.24 $0.48 $1.03 $1.12 $1.20 $1.24	$0.48 $0.75 $1.24 $0.48(1) $1.03(1) $1.12(1) $1.20(1) $1.24(1)
7.10	Expired during quarter	25,000	-	$1.24	N/A
7.11	**Debentures** *(totals only)*	N/A	N/A		
7.12	**Unsecured notes** *(totals only)*	N/A	N/A		

(1) 7,406,955 shares were issued following the conversion of 11,348,000 unlisted options via the 'cashless exercise' mechanism as approved at the Company's 2012 AGM. On exercise of the options the Company issued the number of shares equal in value to the difference between the market value of the shares and the exercise price otherwise payable in relation to the options.

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: 29 January 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.