

Quarterly Report

Quarter Ended:
30 September 2009



Introduction

The directors of Buru are pleased to present this report for the quarter ended 30 September 2009.

Overview

The key operational activities for the quarter were:

- the acquisition from New Standard of a portfolio of interests covering the most prospective areas of the Acacia Province in the Canning Basin;
- the completion of the Bunda 3D seismic survey and the Paradise 2D seismic survey; and
- the continuation of the Company's detailed technical re-evaluation of the Canning Basin.

Subsequent to the end of the quarter Mr Adrian Cook, the Company's Managing Director, announced his resignation from the Company. Mr Eric Streitberg, previously the Chairman and a non-executive Director of the Company, has been appointed as Executive Director with overall supervisory responsibility for the Company. The Hon. Peter Jones AM was also appointed as a non-executive Director of the Company subsequent to the end of the quarter.

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 \$9.5 million for the quarter, which includes the costs of the Bunda 3D and Paradise 2D seismic surveys and the acquisition of the Acacia Province permits from New Standard;
- interest income of \$216,559 was received on Buru's unescrowed cash reserves, which were \$47.5 million at 30 September 2009, with a further \$309,726 in interest paid on Buru's escrowed cash of \$21.0 million;
- oil production from the Blina and Sundown oil fields produced a small cash operating surplus of \$54,316 for the quarter; and
- administration and other operating costs of \$1.3 million, which include a number of one off costs associated with the Company's corporate activities in the period and certain outstanding costs associated with the Company's demerger from ARC.

The costs of the Company's exploration activities and the acquisition of the Acacia Province permits from New Standard were therefore the largest contributors to a cash deficit of \$10.3 million (before exchange rate adjustments) for the quarter.

At the end of the quarter the Company had net cash reserves of \$47.5 million available for exploration and development of the Canning Basin.

Production and Development

The Company's oil production from the Blina and Sundown oil fields, contained within the L6 and L8 production licences, averaged over 140 bopd for the quarter.

Oil production generated cash receipts during the quarter of \$1,195,868 (June 2009 quarter \$622,185). However, the higher receipts were offset by deferred payment of trucking costs from the previous quarter and the costs of annual regulatory fees payable on the production licences in this quarter. As a result the fields produced a comparatively small operating surplus of \$54,316 for the quarter (June 2009 quarter \$374,173). Over the course of the year the fields remain profitable, particularly in the current stronger oil price environment, and provide a material offset to Buru's ongoing administration costs.

Ongoing technical work, including the results of the Bunda 3D seismic survey (discussed below), will be used to identify additional opportunities to increase production from the Blina and Sundown oil fields during the 2010 drilling season through a combination of further workovers of existing wells and additional step-out and in-fill drilling.

Exploration

Exploration activities during the quarter focused on:

- acquisition of the Bunda 3D seismic survey;
- acquisition of the Paradise 2D seismic survey;
- ongoing technical work specifically in relation to regional geological analysis; and
- ongoing permit management activities focusing on restructuring the Company's exploration permit portfolio and consequent financial obligations.

Bunda 3D Seismic Survey

The Bunda 3D seismic survey was commenced on 16 August 2009 and completed two weeks ahead of schedule on 16 September 2009. The survey acquired approximately 223 square kilometres of 3D seismic data in the EP129 exploration permit and the L8 production license. The survey was undertaken to provide greater clarity on the potential size of additional reserves in the Sundown oil field area and identify the optimum well locations for exploration, appraisal and development wells to be drilled in these permits in the 2010 drilling season.

The data acquired from the survey is currently being processed, with initial results indicating that data quality is excellent. It is expected that processing and interpretation will be completed by the end of the 2009 calendar year.

Paradise 2D Seismic Survey

The Paradise 2D seismic survey was conducted between 17 September 2009 and 24 September 2009. The survey comprised 9 seismic lines over approximately 103 kilometres in the EP 371 and EP 428 exploration permits, approximately 50 kilometres south-east of the Bunda 3D seismic survey. The data from the Paradise 2D seismic survey will complement 495 kilometres of 2D seismic data acquired by ARC in 2007 and will enable Buru to better assess the geological risks associated with the Paradise structure and surrounding areas. Based on the assessment of the data gathered from this survey a decision will be made whether to drill the previously identified Paradise prospect in the 2010 drilling season.

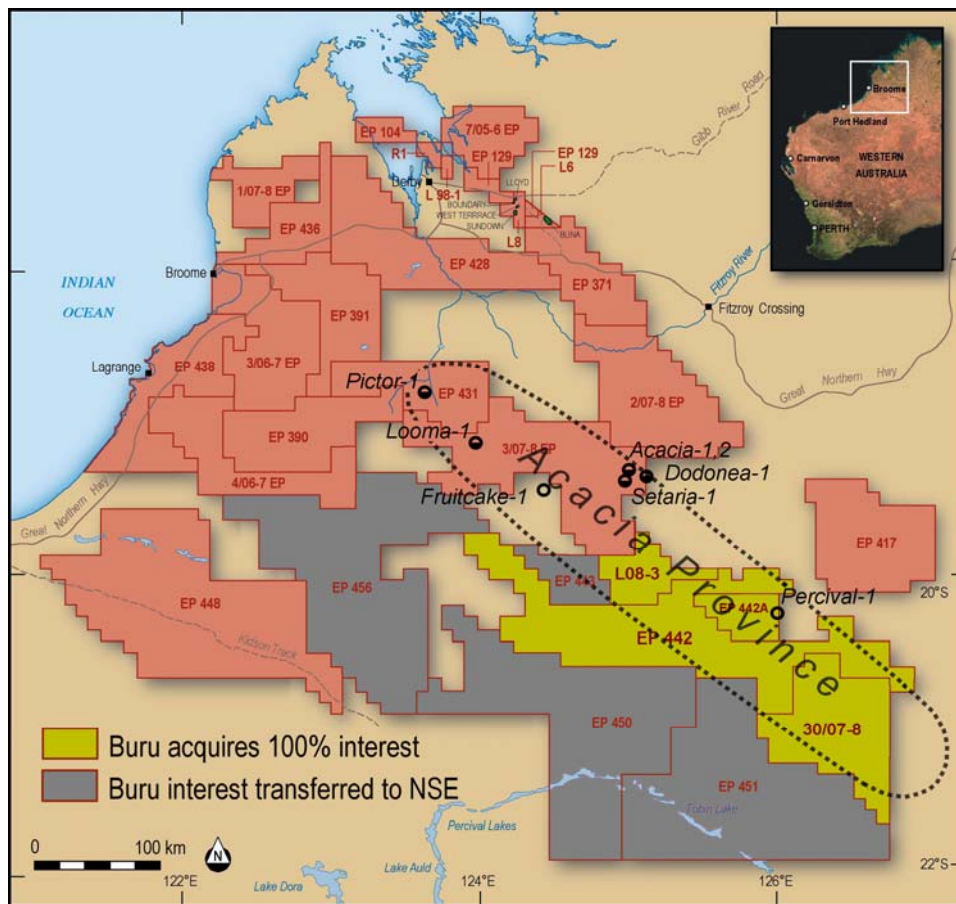
Drilling

The Company had no drilling activity during the September 2009 quarter. The Company is actively progressing preparations for the 2010 drilling season to ensure a timely commencement of drilling activities at the end of the Canning Basin wet season in 2010. In addition to the identification of suitable prospects as candidates for drilling using the results of the Bunda 2D and Paradise 3D seismic surveys, the Company is focussing on securing access to a suitable drilling rig and seeking the necessary stakeholder and regulatory approvals for the drilling campaign.

Corporate

Acquisition of Acacia Province permits

On 11 August 2009 Buru announced that it had entered into an agreement to acquire New Standard's interests in Canning Basin permits EP 442, EP 442A, acreage release L08-3 and application area 30/07-8. Buru now holds a 100% interest in each of these permits (subject to certain farm-in rights)¹ which, together with Buru's existing interests in EP 431 and application area 3/07-08, provide Buru with operatorship and control over the majority of the Acacia Province in the Canning Basin, encompassing the highly prospective Acacia fairway play. In consideration, Buru paid New Standard \$3.2 million in cash, issued New Standard 18 million new Buru shares and transferred Buru's 10% interest in EP 443, EP 450, EP 451 and EP 456 to New Standard. This transaction was completed on 4 September 2009. The map below sets out Buru's permit interests following the transaction.



Management changes

Subsequent to the end of the quarter Mr Adrian Cook, Buru's Managing Director, announced his intention to resign from the Company. That resignation took effect on 16 October 2009.

Following his re-election at the Company's 2009 AGM, Mr Eric Streitberg, previously the Chairman and a non-executive Director of the Company, was appointed as Executive Director with overall supervisory responsibility for the Company. Mr Streitberg will now take direct responsibility for the management of Buru's exploration program and corporate affairs. As the Buru Board has agreed not to replace Mr Cook, the remainder of his responsibilities will be taken up through the Company's existing resources. In addition, the Hon. Peter Jones AM was appointed as a non-executive Director of the Company subsequent to the end of the quarter.

¹ As part of this transaction Buru assumed the benefit of the agreements between New Standard and Trident Energy Limited ("Trident") over the Acacia Permits. These agreements provide Trident with the right to earn a 17.5% interest in EP 442A by paying 25% of the cost of geochemical studies, 200km of 2D seismic data and drilling one pre-salt well. Trident also has a first right of refusal to negotiate a future farm in agreement covering acreage release L08-3 and application area 30/07-8 on similar terms.

Glossary

| | |
|---------------------|---|
| Buru or the Company | Buru Energy Limited (ASX code: BRU) |
| 2D | Two dimensional seismic survey |
| 3D | Three dimensional seismic survey |
| AGM | Annual General Meeting |
| ARC | ARC Energy Limited |
| bopd | Barrels of oil per day |
| New Standard | New Standard Energy Limited (ASX code: NSE) |

Executive Director's Comments

"The past quarter has seen a number of important steps taken in the Company's preparation for the commencement of the 2010 drilling season.

The transaction with New Standard consolidated our position in the prospective Acacia Province in the Canning Basin, substantially reduced our expenditure commitments and delivered us operatorship of the acquired permits. This transaction was a central part of our program of acreage rationalisation, which has given the Company a unique portfolio of high equity positions and operatorship in the most prospective exploration provinces of the Canning Basin. Buru's unique acreage position provides the Company with the strategic flexibility to tailor its corporate, exploration and drilling activities to achieve the greatest leverage for shareholders across its portfolio.

Buru has also completed the first ever 3D seismic survey in the Canning Basin and acquired additional 2D seismic data. While we are still in the process of processing the data, we are confident this will form the basis for firming up a number of prospects for drilling in 2010.

The Company will now focus on analysing the results of the recent seismic acquisition, building towards the identification of firm prospects for the 2010 drilling season. In parallel with this we have been progressing our regional geological interpretations which are aimed at complementing our detailed seismic programs and providing us with additional drilling targets or farmout opportunities.

We are also well advanced in our preparation for on ground operations, including securing a drilling rig, and will continue this preparation to ensure that the Company is able to commence drilling in a timely fashion following the end of the Canning Basin wet season in mid-2010.

We will provide shareholders with updates on these activities over the coming months as our drilling plans are firming up."

*Eric Streitberg
Executive Director
29 October 2009*

Buru Energy Limited

ABN 71 130 651 437

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Appendix 5B

Mining exploration entity quarterly report

Name of entity

| |
|----------------------------|
| BURU ENERGY LIMITED |
|----------------------------|

ABN

| |
|-----------------------|
| 71 130 651 437 |
|-----------------------|

Quarter ended

| |
|--------------------------|
| 30 September 2009 |
|--------------------------|

Consolidated statement of cash flows

| | Current quarter \$A | Year to date (3 months) \$A |
|---|---------------------------|-----------------------------------|
| Cash flows related to operating activities | | |
| 1.1 Receipts from: | | |
| (a) product sales and related debtors | 1,195,868 | 1,195,868 |
| (b) other income | 90,658 | 90,658 |
| 1.2 Payments for: | | |
| (a) exploration and evaluation | (9,526,649) | (9,526,649) |
| (b) development | - | - |
| (c) production | (1,141,552) | (1,141,552) |
| (d) administration | (1,272,335) | (1,272,335) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 526,285 | 526,285 |
| 1.5 Interest and other costs of finance paid | (1,037) | (1,037) |

Mining exploration entity quarterly report

| | | | |
|---|---|---------------------|---------------------|
| 1.6 | Income taxes paid | - | - |
| 1.7 | Payments for restoration to existing producing assets | (20,485) | (20,485) |
| | Net operating cash flows | (10,149,247) | (10,149,247) |
| Cash flows related to investing activities | | | |
| 1.8 | Payment for purchases of: | | |
| | (a) fixed assets | (190,854) | (190,854) |
| 1.9 | Proceeds from sale of: | | |
| | (a) fixed assets | - | - |
| 1.10 | Loans to other entities | - | - |
| 1.11 | Loans repaid from other entities | - | - |
| 1.12 | Other | - | - |
| | Net investing cash flows | (190,854) | (190,854) |
| 1.13 | Total operating and investing cash flows | (10,340,101) | (10,340,101) |
| Cash flows related to financing activities | | | |
| 1.14 | Proceeds from issues of ordinary shares, options, etc | - | - |
| 1.15 | Proceeds from issue of preference shares | - | - |
| 1.16 | Proceeds from borrowings | - | - |
| 1.17 | Repayment of borrowings | - | - |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other | - | - |
| | Net financing cash flows | - | - |

Mining exploration entity quarterly report

| | | | |
|------|---|---------------------|---------------------|
| | Net increase (decrease) in cash held | (10,340,101) | (10,340,101) |
| 1.20 | Cash at beginning of quarter/year to date | 79,001,944 | 79,001,944 |
| 1.21 | Exchange rate adjustments to item 1.20 | (129,401) | (129,401) |
| | Cash at end of quarter including cash held in escrow | 68,532,442 | 68,532,442 |
| | Less cash held in escrow | (21,037,661) | (21,037,661) |
| 1.22 | Cash at end of quarter | 47,494,781 | 47,494,781 |

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 | 138,333 |
| 1.24 | Aggregate amount of loans to the parties | - |

1.25 Explanation necessary for an understanding of the transactions

Mining exploration entity quarterly report

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 and Alcoa have agreed to escrow \$20,000,000 and interest thereon in partial satisfaction of Buru Energy's obligations to repay a \$40,000,000 gas prepayment made by Alcoa to ARC prior to the demerger of Buru Energy. These financial obligations crystallise if Buru Energy 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 in 2013. This cash balance in escrow has received interest totalling \$1,037,661 taking the total escrowed cash balance to \$21,037,661.

- 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 | Amount used |
|---------------------------------|------------------|-------------|
| | \$A | \$A |
| 3.1 Loan facilities | - | - |
| 3.2 Credit standby arrangements | - | - |

Estimated cash outflows for next quarter

| | \$A |
|--------------------------------|------------------|
| 4.1 Exploration and evaluation | 1,500,000 |
| 4.2 Development | - |
| Total | 1,500,000 |

Mining exploration entity quarterly report

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 | Previous quarter |
|---|--------------------------|------------------------|-------------------------|
| | | \$A | \$A |
| 5.1 | Cash on hand and at bank | 2,490,534 | 28,172,117 |
| 5.2 | Deposits at call | 45,000,000 | 30,101,430 |
| 5.3 | Bank overdraft | - | - |
| 5.4 | Other | 4,247 | 463 |
| Total: cash at end of quarter (item 1.22) | | 47,494,781 | 58,274,010 |
| Cash held in escrow | | 21,037,661 | 20,727,934 |
| Total: cash at end of quarter including cash held in escrow | | 68,532,442 | 79,001,944 |

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 | EP443 | Detailed in the ASX announcement on 18 August 2009 and 4 September 2009 | 10% | Nil |
| | | EP450 | | 10% | Nil |
| | | EP451 | | 10% | Nil |
| | | EP456 | | 10% | Nil |
| 6.2 | Interests in mining tenements acquired or increased | EP442 | Detailed in the ASX announcement on 18 August 2009 and 4 September 2009 | 10% | 100% |
| | | EP442A | | Nil | 100% |
| | | L08-3 | | 50% | 100% |
| | | 30/07-8 | | 50% | 100% |

Mining 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 | Amount paid up per security |
|-----|--|---------------------|----------------------|---------------------------------|------------------------------------|
| 7.1 | +Preference securities <i>(description)</i> | 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 | 180,119,728 | 180,119,728 | N/A | N/A |
| 7.4 | Changes during quarter | | | | |
| | (a) Increases | | | | |
| | Issued shares | 18,000,000 | 18,000,000 | Non-cash issue | N/A |
| | Options exercised | - | - | - | - |
| | Options exercised | - | - | - | - |
| | (b) Decreases through returns of capital, buy-backs | - | - | - | - |
| 7.5 | +Convertible debt securities | N/A | N/A | N/A | N/A |
| 7.6 | Changes during quarter | | | | |
| | (a) Increases through issues | - | - | - | - |
| | (b) Decreases through securities matured, converted | - | - | - | - |

Mining exploration entity quarterly report

| 7.7 Options | | | <i>Exercise price</i> | <i>Expiry date</i> |
|---|--------------------------------|------------|-----------------------|----------------------------|
| | 55,176,975 | 55,176,975 | \$0.94 | 10 Oct 2010 |
| | <u>7,220,000^(a)</u> | - | \$0.94 ^(c) | 27 Aug 2010 ^(c) |
| | 62,396,975 | 55,176,975 | | |
| 7.8 Issued during quarter | - | - | - | - |
| 7.9 Exercised during quarter | - | - | - | - |
| 7.10 Forfeited during quarter | 28,380,000 ^(b) | - | - | - |
| 7.11 Debentures (totals only) | N/A | N/A | | |
| 7.12 Unsecured notes (totals only) | N/A | N/A | | |

(a) Unlisted options – issued under the Buru Energy D&E Options employee share scheme

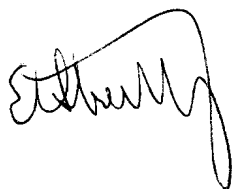
(b) On 31 August 2009, the holders of the unlisted D&E Options agreed to cancel 28,380,000 options

(c) Subsequent to the end of the quarter, at the annual general meeting, shareholders agreed to alter the terms of the unlisted options to an exercise price of \$0.30 and an expiry date of 31 December 2011

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 does give a true and fair view of the matters disclosed.



Sign here: Date: 29 October 2009

Print name: **ERIC STREITBERG**

(Executive Director)

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: Cash Flow Statements* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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.

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