Quarterly Report

Buru Energy

Quarter Ended 30 September 2011

Introduction

The directors of Buru are pleased to present this report for the quarter ended 30 September 2011. This quarter has been the most exciting in the Company's short history with the first three wells in the Company's drilling program each encountering hydrocarbons. The wells have identified a potentially multi TCF tight gas accumulation at Valhalla-2 and a significant oil discovery at Ungani-1.

The tight gas accumulation identified by Valhalla-2 confirms the very significant tight gas resource potential of the Laurel Formation. The Laurel Formation will be further appraised in late 2011 and early 2012 with wells to be drilled in the Valhalla and Yulleroo areas. The appraisal program will aim to confirm sufficient resources and reserves to allow a commitment to the development of the Great Northern Pipeline, leading to the supply of gas into the Western Australian domestic gas market. The oil discovery at Ungani-1 is also extremely significant for the Company, with basin wide implications for the prospectivity of Buru's permits. The Company intends to drill an immediate appraisal well on the field and move into a production test in the near term while the optimum development scenario for the field is determined.

During the quarter the Company also strengthened its financial position through successfully completing an institutional share placement and a share purchase plan, which together raised $20.2 million. As part of this capital raising process, Buru's share register also underwent significant changes, with the Company welcoming two new substantial institutional investors onto the register through the placement, and the Company's largest shareholder, AWE Limited, exiting the share register.

Overview

The key operational activities for the quarter were:

- the completion of drilling operations at the Valhalla-2 well with Ensign Rig #32 (**"Rig #32"**), the first well in the 2011 Exploration Program;
- the completion of drilling operations at the Pictor East-1 well by Century Rig #7 (**"Rig #7"**), the second well in the 2011 Exploration Program;
- the commencement of drilling operations at the Ungani-1 (Ungani-1ST1) well with Rig #32;
- the commencement of drilling operations at the Lawford-1 well with Rig #7;
- the completion of the Yulleroo 3D seismic survey; and
- the completion of the Commodore and Athos 2D seismic surveys.

Subsequent to the end of the quarter:

- the drilling of Ungani-1ST1 was completed and, a cased hole production test to determine the flow potential of the Ungani-1ST1 reservoir and the composition of any produced reservoir fluids was successfully conducted; and
- drilling operations at Lawford-1 were completed.

The key corporate activities for the quarter were:

- successfully raising a total of $20.2 million by way of a placement to institutional investors and a share purchase plan for existing shareholders; and

- the sale by AWE Limited of their substantial shareholding in the Company.

Subsequent to the end of the quarter the Company was notified by the DMP that it was the preferred applicant for two additional petroleum exploration permits in the Canning Superbasin. The new permits will provide a very important addition to Buru's portfolio, providing additional exposure to the exploration trends identified in the Paradise-Valhalla area.

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 $6,116,012 for the quarter (June 2011: $3,749,688), the majority of which are costs associated with drilling the Valhalla-1, Ungani-1 and Pictor East-1 wells and the conduct of the Yulleroo 3D, Athos 2D and Commodore 2D seismic surveys;

- cash payments of $23,585,000 were received from MC during the quarter in contribution towards MC's 80% share of the costs of the 2011 Exploration Program;

- interest income of $1,238,533 was received in the quarter on the maturation of a number of the Company's long term cash deposits;

- oil production from the Blina and Sundown oil fields produced an operating surplus of $226,667 for the quarter, substantially above the previous quarter (June 2011: net cash outflow of $233,264) as a result of a period of flush production following the completion of the workover program and timing of crude oil trucking and sales; and

- administration and other operating costs of $1,646,214 were incurred, a modest increase from the previous quarters (March 2011: $1,373,566; June 2011: $1,209,356) reflecting year end reporting and compliance costs.

The Company recorded a net cash inflow of $10.3 million (before exchange rate adjustments) for the quarter (June 2011: net cash inflow $0.7 million). The key contributors to the cash inflow are payments received from MC as part of its commitment under the farm-in agreement with Buru to fund 80% of the costs of the 2011 Exploration Program, and proceeds from the capital raising completed during the quarter.

At the end of the quarter the Company had net cash reserves of $35.5 million available for exploration and development of the Canning Superbasin (June 2011: $25.8 million). These cash reserves, in conjunction with MC's contribution to the 2011 Exploration Program, provide the Company with sufficient financial resources to fund its currently planned and committed exploration activities.

The Company is forecasting the following cash flows in the December 2011 quarter:

- **Exploration** – $8.2 million of exploration costs are expected to be payable in the December 2011 quarter, being the ongoing costs of the 2011 Exploration Program and the costs of the appraisal of the Ungani and Valhalla discoveries.

- **Production** – $0.5 million cost of production is expected in the December 2011 quarter. Cash inflows in the December 2011 quarter are expected to be $0.4 million, leading to a forecast net cash outflow of $0.1m for Buru's production activities during the quarter. Over the 2011/2012 financial year the Company expects its existing production activities to be net cash flow positive. Note that these forecasts do not include the potential for expenditure and cashflows from a development of the Ungani oil field.

- **Administration** – $1.5 million in administration costs are expected to be payable in the December 2011 quarter, consistent with this quarter.

Production and Development

Blina and Sundown Oil Fields

Sales from the Company's Blina and Sundown oil fields, in the L6 and L8 production licences, averaged approximately 71 bopd for the quarter. Sales during the quarter were higher than the previous quarter (June 2011: approximately 27 bopd) due to flush production from key wells following a workover program in the previous quarter. Receipts were also influenced by the timing of crude oil deliveries and sale, with oil produced in the previous quarter being sold in the current quarter.

Oil production generated cash receipts during the quarter of $772,424 (March 2011: $373,986; June 2011: $319,937). The fields produced a net cash inflow of $226,667 for the quarter, an increase from previous quarters (March 2011: net cash outflow of $61,907; June 2011: net cash outflow $233,564). The Company continues to assess possible options to improve production levels from the fields.

Yulleroo-2 Well Test

During the quarter the Yulleroo-2 testing program continued. The well continues to flow gas and condensate at low rates together with high salinity fluid. During the quarter a nitrogen lift was undertaken to assist in the clean-up of the well. The well is slowly cleaning up and a stabilised flow rate of approximately 0.3 million cubic feet a day was achieved during the period. Testing has continued subsequent to the end of the period.

Drilling

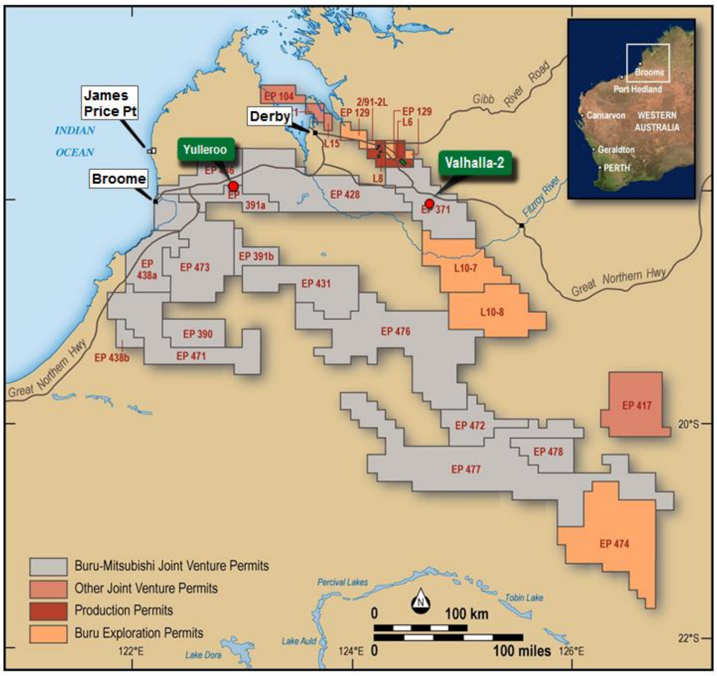
During the quarter the Company completed drilling operations at the Valhalla-2 well and the Pictor East-1 well and commenced drilling operations at Ungani-1 (and the sidetrack of this well, Ungani-1ST1), and at Lawford-1.

Subsequent to the end of the quarter the Company completed drilling operations at Ungani-1ST1 and Lawford-1.

Other than the ongoing drilling operations, the main activities undertaken in the quarter were the drill site and access preparation for the remaining wells in the 2011 Exploration Program, namely the Paradise-1 Deepening, and appraisal wells in the Valhalla and Yulleroo areas.

Valhalla-2

Valhalla-2 was the first well to be drilled in the 2011 Exploration Program. The well is located in exploration permit EP 371, as shown on the map below. 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.



Valhalla-2 completed drilling in July 2011 and preliminary analysis of the results of the well are extremely encouraging. During drilling, gas influxes were continuously encountered in the Laurel section from approximately 2,300m to a total depth of 3,390m, resulting in a number of drilling interruptions while the gas was flared.

The well confirmed that the Valhalla structure contains a number of tight, and possibly conventional, gas reservoirs across at least a 1,300m section of gas charged Laurel Formation.

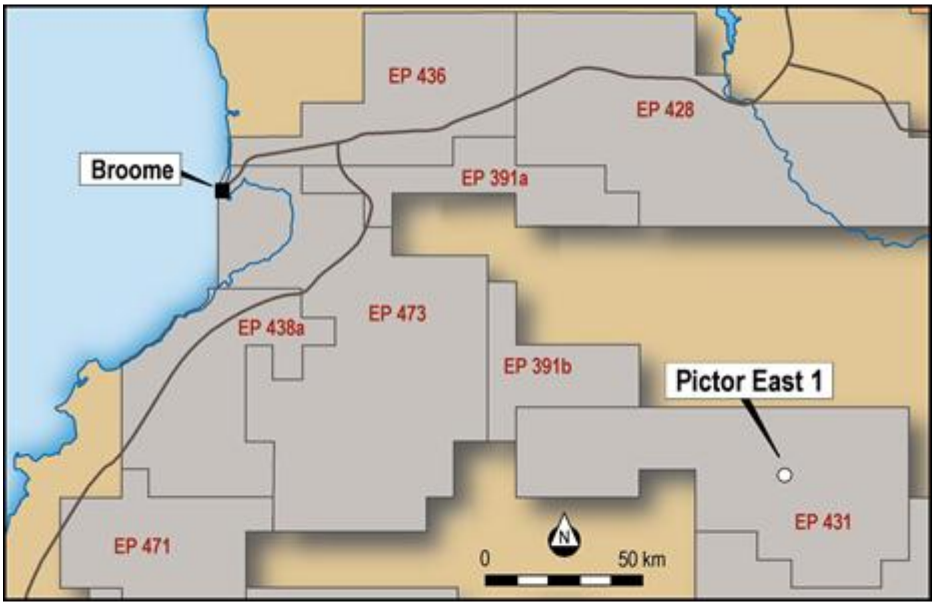
A possible new conventional play type has also been identified in the Laurel Carbonates with a number of potentially productive conventional reservoir zones being interpreted. In addition, and of greater potential significance, extensive tight sand zones have been identified in the Upper and Lower Laurel sections and these are interpreted to be gas charged based on gas shows and gas influxes while drilling. These sections have been comprehensively sampled with rotary side wall cores and specialised logging suites to allow further detailed, specialised analysis of the potential of the Laurel Formation for unconventional gas and liquids.

Based on a preliminary analysis of the data in the Valhalla-2 well and other wells in the area, there is the potential for a large tight gas accumulation in the greater Valhalla area. Depending on its geographic extent, the accumulation could potentially contain recoverable hydrocarbons of several TCF of gas and potentially in excess of 50mmbbls of condensate and natural gas liquids.

It is proposed to drill an appraisal well to further test the Valhalla wet gas accumulation later in 2011.

Pictor East-1

Pictor East-1 was the first well in the 2011 Exploration Program to be drilled by Century Rig #7. The well is located in exploration permit EP 431, as shown on the map below. Buru and MC each have a 50% interest in this well and in EP 431, with MC contributing 80% of the cost of the well under the terms of its farm-in agreement with Buru.



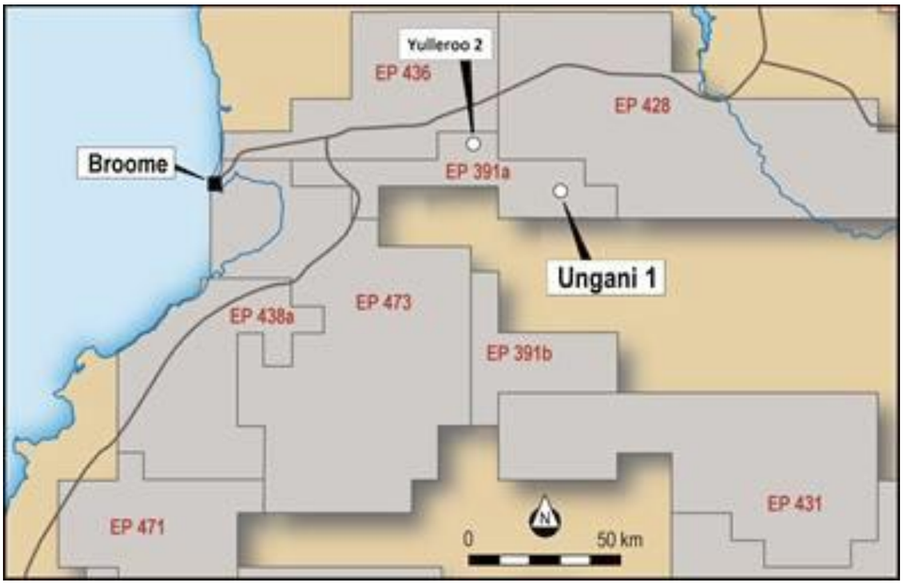
The Pictor East-1 well was drilled to follow up the oil and gas accumulations identified by the Pictor-1 and 2 wells in the Nita Formation and to also test the deeper Acacia Sandstone Formation.

Pictor East-1 completed drilling on 2 September 2011 and a significant hydrocarbon column of over 65 metres has been interpreted to be present in the Nita Formation, with a net porous section of over 7 metres. Sidewall cores and pressurised hydrocarbon samples were obtained during drilling and these are currently being analysed to determine the hydrocarbon composition (gas, oil or a combination).

The results of this well are in line with pre-drill estimates, and are very encouraging. The well data will now be analysed over the coming months with the objective of drilling a horizontal well to appraise the reservoir during 2012.

Ungani-1 / Ungani-1ST1

Ungani-1 was the second well in the 2011 Exploration Program to be drilled by Ensign Rig #32. The well is located in exploration permit EP 391, as shown on the map below. Buru and MC each have a 50% interest in this well and in EP 391, with MC contributing 80% of the cost of the well under the terms of its farm-in agreement with Buru.



During hole conditioning operations to facilitate logging in Ungani-1, the drill string became stuck in the hole and subsequently parted with the top of the fish at 2,216m. As a result, attempts to obtain logs over the interval where good oil shows and increases in mud gas were observed in dolomites of the Laurel Carbonates, were unsuccessful. It was subsequently decided to sidetrack the well to enable a full evaluation to be undertaken of the hydrocarbon indications observed in the well. Sidetrack operations commenced with the setting of a kick off cement plug at 1,987m. The well was then drilled in 8-1/2" hole in the sidetrack to a measured depth of 2,324m. Logging while drilling operations were carried out with preliminary interpretation indicating a potential hydrocarbon column in the Upper Laurel dolomite section, with a minimum gross thickness of some 57 metres with a minimum net pay thickness of 11.7 metres.

A successful cased hole test was then conducted to determine the flow potential of the reservoir and the composition of the reservoir fluids.

The well was swabbed initially after which natural flow was quickly established. The well flowed light oil (API gravity of ~37 degrees), with no significant gas, together with varying minor amounts of completion fluid, filtrate and lost circulation material ("**LCM**") from the approximately 3,000 barrels of mud and LCM that were lost to the formation during the drilling of the zone.

The well was flowed for a total of 8 hours at varying choke sizes with a peak rate of 1,647 bpd on a ½ inch choke with a flowing well head pressure of 18 psi. The well was shut-in and the well head pressure was stable at 430 psi. A further test was then conducted for operational reasons. A flow rate of 1,500 barrels per day was noted on a ¼ inch choke and flowing tubing head pressure of 230 psi. The well was continuing to clean up, with up to 15% filtrate, formation fluid and lost circulation material noted in the well stream. The well was then shut-in, with a shut-in well head pressure of some 430 psi.

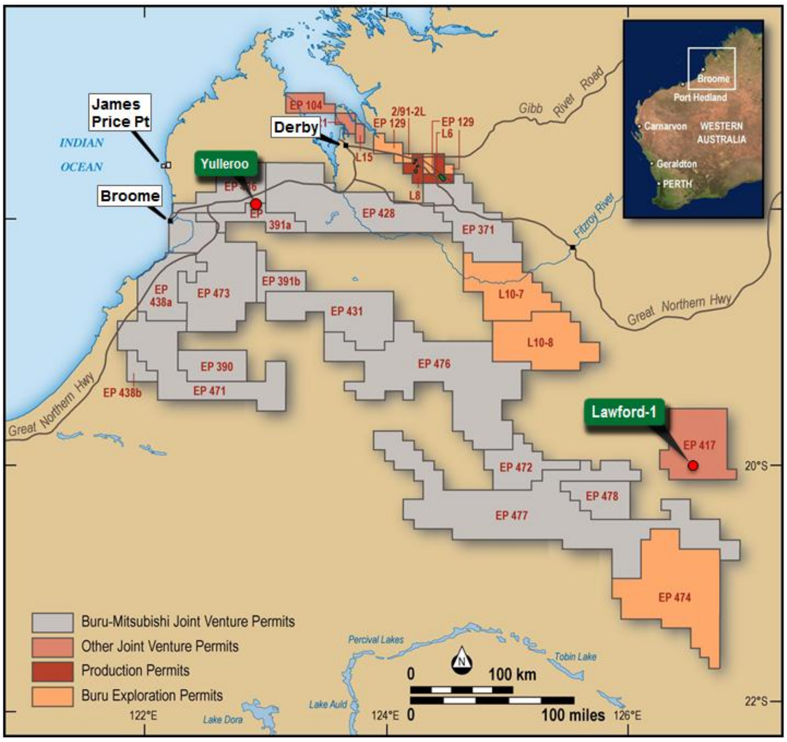
The rig will now be skidded to drill an immediate appraisal well of the discovery from the same drilling pad, to a bottom hole location some 500 metres to the northeast of Ungani-1

The size of the accumulation is not able to be determined at this time due to uncertainties in regard to the depth of the oil/water contact, and the exact configuration of the structure. However, seismic mapping indicates that the overall Ungani feature is large and therefore has the potential to contain significant volumes of hydrocarbons. The drilling of an immediate appraisal well will help to define the overall size of the accumulation and assist with planning for further appraisal of the field.

It is of note that the Ungani feature is geologically distinct from the previous oil discoveries in the Superbasin and is a new play type in the Fitzroy Graben province of the Superbasin. It is also of note that this is the first significant oil discovery in the Superbasin since the 1980s. It is also the first significant oil discovery onshore Western Australia since ARC Energy's discovery of the Hovea Field in the Perth Basin which was announced exactly 10 years prior to the announcement of the successful flow test of the Ungani well, on 18 October 2001.

Lawford-1

The Lawford-1 Deepening was the second well drilled by Rig #7 in the 2011 Exploration Program. The well is located in exploration permit EP 417, as shown on the map below. Buru has a 35% non-operating interest in this permit. New Standard Onshore Pty Ltd (a wholly owned subsidiary of New Standard Energy Limited (**"New Standard"**)) is operator of EP 417 and has the remaining 65% interest. Buru was the operator for the deepening of well for the EP 417 joint venture under a delegation agreement with New Standard.



Subsequent to the end of the quarter, the deepening of Lawford-1 was completed to a total depth of 2,690 metres. The well encountered highly consolidated and abrasive sandstones, claystones and red beds of what is interpreted to be the Lower Anderson Formation. No distinctive geological or geophysical markers or significant hydrocarbons were encountered. The well provided valuable information about the regional geology, however, it is located considerably outside Buru's core areas of interest and prospectivity.

Exploration

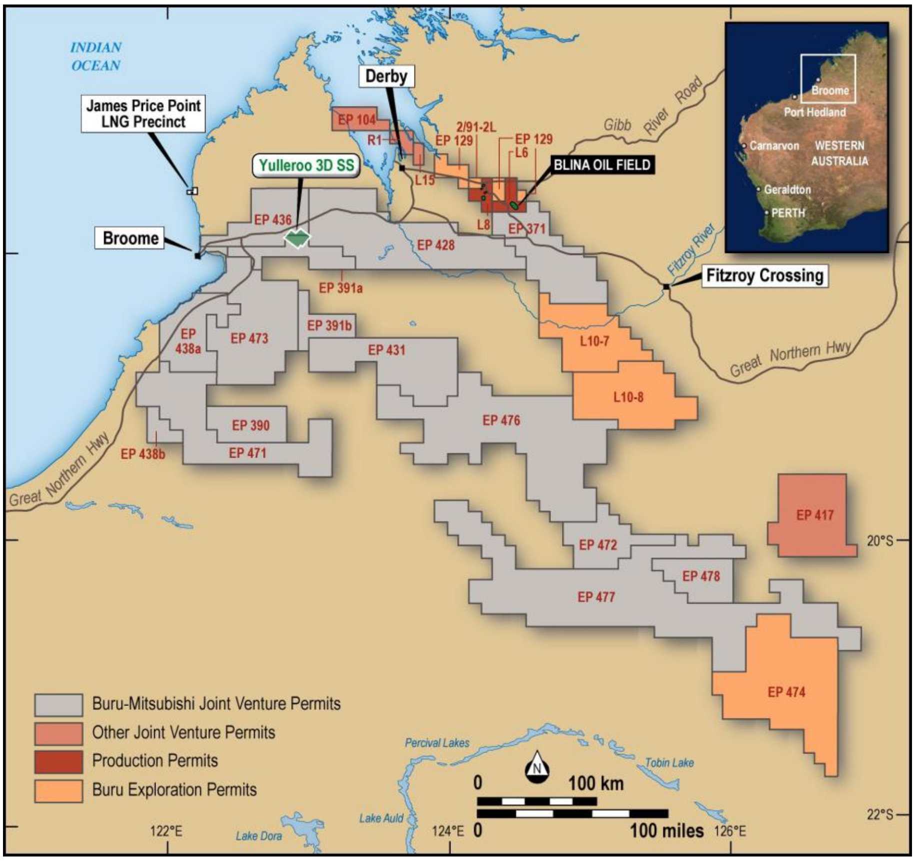
The Company's other exploration activities during the quarter focused on:

- the completion of the Yulleroo 3D seismic survey;
- the completion of the Athos and Commodore 2D seismic surveys;
- progressing the regulatory, Traditional Owner and joint venture approvals process for the remainder of the 2011 Exploration Program; and
- planning, in conjunction with MC, the 2012 Exploration Program.

Completion of the Yulleroo 3D Seismic Survey

During the quarter acquisition of the Yulleroo 3D seismic survey was completed.

The Yulleroo 3D seismic survey consisted of the acquisition of 185 square kilometres of new 3D seismic over the Yulleroo wet gas field, as shown on the map below. It was designed to define the detailed structural configuration of the Yulleroo structure. This will assist in both siting future appraisal wells, and quantifying the total rock volumes in the accumulation. Acquisition was conducted by Terrex Seismic, who successfully acquired the Yulleroo and Pijalinga 2D seismic surveys for Buru in 2010 and the Bunda 3D seismic survey for Buru in 2009.



Under the terms of the farm-in agreement between Buru and MC, MC is required to fund 80% of the costs of this seismic survey.

Completion of Athos and Commodore 2D Seismic Survey

Acquisition of the Athos 2D seismic survey commenced on 25 August 2011 and was completed on 15 September 2011. A total of 15 lines for a total of 299 km of 2D seismic was acquired. The survey was completed on time and with no lost time injuries.

The purpose of the Athos 2D seismic survey was designed to mature multiple leads in the Broome Platform for potential drilling in the 2012 Exploration Program and to provide additional regional coverage.

Acquisition of the Commodore 2D seismic survey was also completed during the quarter. Acquisition commenced on 18 September 2011 and was completed on 28 September 2011. A total of 8 lines for a total of 168 km of 2D seismic was acquired. The survey was completed on time and with no lost time injuries.

The purpose of the survey was to mature multiple leads in the Admiral Bay area for potential drilling in the 2012 Exploration Program and to provide additional regional coverage.

Initial reviews of the data indicate that the data quality is good to excellent. Processing is underway and the new data is being incorporated into the planning for the 2012 Exploration Program as it becomes available.

Acquisition was conducted by Terrex Seismic, who successfully acquired the Yulleroo and Pijalinga 2D seismic surveys for Buru in 2010 and the Bunda 3D seismic survey for Buru in 2009.

Under the terms of the farm-in agreement between Buru and MC, MC is required to fund 80% of the costs of this seismic survey.

Approvals Process

During the quarter the Company continued the regulatory approval processes required for the remainder of the 2011 Exploration Program. Detailed operational, environmental and health and safety management plans have been prepared and are under assessment by the DMP. Drilling programs for the wells in the program continued to be submitted to the DMP for approval during the quarter.

Discussions have continued with Traditional Owners on whose lands the 2011 Exploration Program is being conducted. At the end of the quarter approvals had been received for the majority of the wells likely to be drilled in the 2011 Exploration Program.

Planning for the 2012 Exploration Program

The Company is also working with Mitsubishi to plan the joint venture's 2012 Exploration Program. This program will have both an appraisal and exploration focus. Planning includes the systematic appraisal of the Yulleroo field, the Valhalla accumulation and the Ungani field. The Company has also commenced a formal tender process for contractors and equipment required for the 2012 Exploration Program.

The Company's aim during 2012 is to book sufficient independently assessed resources and reserves to allow a commitment to the development of the Great Northern Pipeline, leading to the supply of material quantities of gas into the Western Australian domestic market.

Exploration in 2012 will be focussed on identifying new conventional and unconventional resources to form the basis of further appraisal in 2013 and deliver additional reserves for commercialisation in 2014 and beyond. The conventional program is likely to target significant conventional oil prospects in the Acacia area.

The unconventional program will seek to test and develop at least one of the three additional major unconventional play types on Buru's permits, together with further delineating the extent of the Laurel Formation unconventional wet gas play. An extensive ongoing program of seismic acquisition and desktop technical analysis designed to continue to identify new play types and prospects and leads will complement these drilling programs.

Corporate

The key corporate activities for the quarter were:

- the completion of a capital raising during September by way of a placement and a share purchase plan;
- the sale by AWE Limited of their substantial shareholding in the Company; and
- the award by the DMP of two additional petroleum exploration permits in the Canning Basin to Buru.

Capital Raising

In September 2011 the Company successfully raised a total of $20.2 million (before fees) through the placement of new shares to institutional investors (**"Placement"**) and a share purchase plan for existing shareholders (**"SPP"**). Under the Placement, 27.4 million new shares were issued to two new substantial institutional investors, representing 15% of the Company's issued capital. The Placement was fully underwritten by J.P. Morgan Australia Limited who was also the Sole Lead Manager.

The Company also provided its existing shareholders with an opportunity to gain further exposure to Buru through the SPP, allowing shareholders to purchase shares at the same price as the Placement. The SPP closed on 26 September 2011 raising a total of $2.4 million.

While Buru's 2011 exploration program is fully funded, proceeds of the Placement and the SPP will be used to fund an acceleration of the appraisal of the recent significant Valhalla-2 wet gas discovery and further appraisal of the Yulleroo-2 wet gas field and the Ungani-1 oil discovery. The proceeds of the Placement will also be used to help fund the Company's 2012 exploration and appraisal program.

AWE Sell Down

During the quarter AWE, through its wholly owned subsidiary ARC Energy, sold all of its 24,316,543 ordinary shares held in Buru. At the time of the sale this represented 13.30% of the total number of Buru ordinary shares on issue. Buru was demerged from ARC Energy immediately prior to the merger between AWE and ARC Energy on 25 August 2008, and AWE acquired the Buru shares as a result of this transaction.

Buru understands that this sale was a result of AWE's previously announced corporate review.

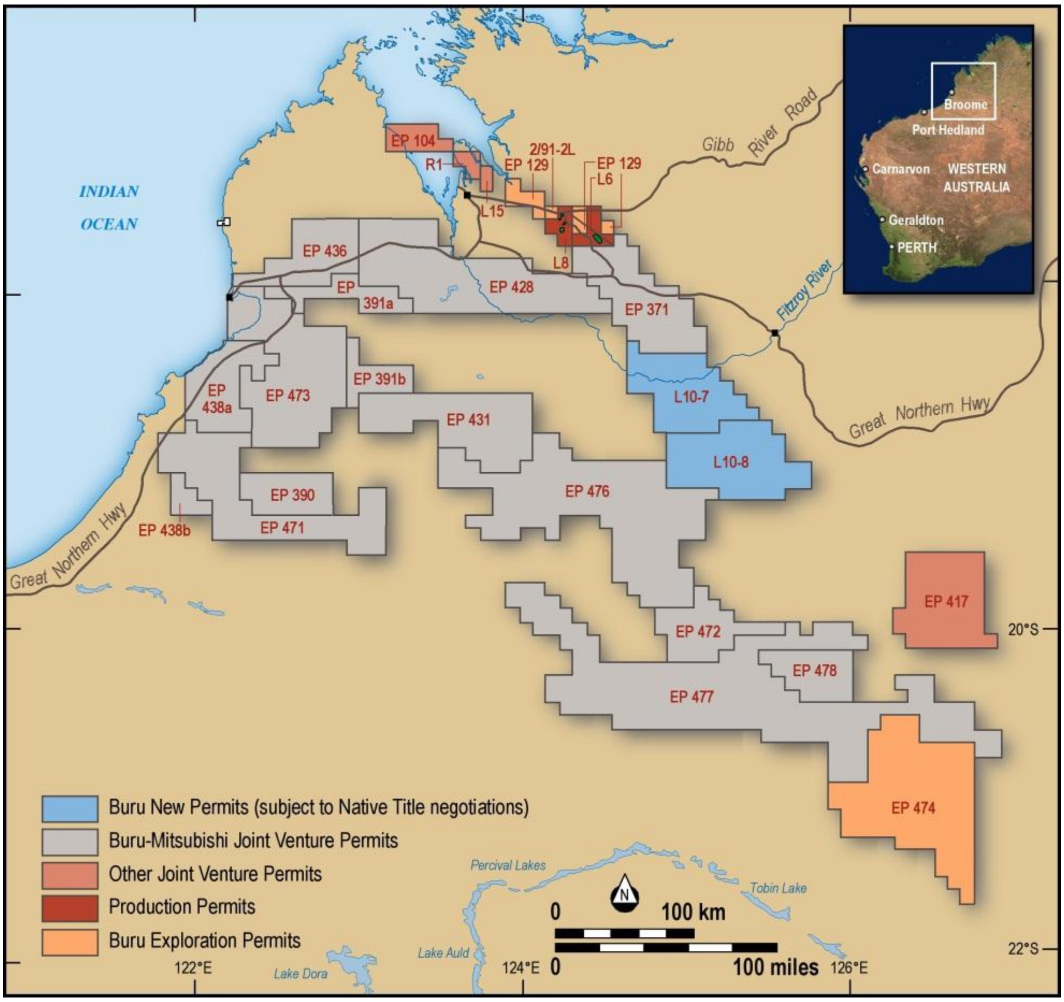
New Exploration Permits

Subsequent to the end of the quarter the Company was notified by the DMP that it was the preferred applicant for two additional petroleum exploration permits in the Canning Superbasin, L10-7 and L10-8.

The permits provide additional exposure to the exploration trends identified in the Paradise-Valhalla area to the north in EP 371, including the shallow oil plays seen in the Paradise and Valhalla wells, and the Laurel Formation tight gas play, together with a number of other exploration plays that have been developed by Buru.

Although little systematic exploration has previously been carried out in the area of these new permits, Buru's review of the existing data has identified a number of focus areas which will be the subject of early exploration once the permits are formally granted.

The permits will provide a very important addition to Buru's portfolio, bringing its net equity acreage position in the Canning Superbasin to a total of some 48,000 sq km (~11.9 million acres).



The offer of the two new permits by the Department of Mines and Petroleum was the result of a competitive bid process. Final award of the permits is subject to completion of negotiations with Traditional Owners under the *Native Title Act 1993* (Cth).

Executive Director's Comments

> *"This quarter has been extremely exciting for the Company with hydrocarbons identified in the first three wells, with at least two of those wells being very significant discoveries. The discovery of the Valhalla wet gas accumulation identified a very high potential play type with regional significance for the Company, and the oil discovery at Ungani-1, is transformational.*
>
> *The next quarter will continue to be extremely busy for the Company. The Yulleroo, Valhalla and Ungani discoveries will all be appraised during the quarter which is indicative of the Company's transition towards production. This is clearly a very exciting time for the Company.*
>
> *We have also completed the seismic acquisition program in preparation for exploration and appraisal drilling in 2012 and are currently planning the 2012 exploration Program in conjunction with Mitsubishi. We will be keeping shareholders and the market updated on a regular basis as we progress these activities over the next quarter."*

Eric Streitberg
Executive Director

Glossary

2D	Two dimensional seismic survey
3D	Three dimensional seismic survey
ARC Energy	ARC Energy Limited
AWE	AWE Limited
Bopd	Barrels of oil per day
Buru or the Company	Buru Energy Limited (ASX code: BRU)
DMP	Western Australian Department of Mines and Petroleum
Ensign	Ensign Australia Pty Ltd
MC	Mitsubishi Corporation
New Standard	New Standard Energy Limited (ASX code: NSE)
Rig #32	Ensign Rig #32
Rig #7	Century Rig #7
TCF	Trillion cubic feet of gas
TJ	Terajoule of sales 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	30 September 2011

Consolidated statement of cash flows

			Current quarter $A	Year to date (3 months) $A
Cash flows related to operating activities				
1.1	Receipts from product sales and related debtors		1,083,036	1,083,036
1.2	Payments for	(a) exploration & evaluation	(6,116,012)	(6,116,012)
		(b) development	(94,907)	(94,907)
		(c) production	(545,757)	(545,757)
		(d) administration	(1,646,214)	(1,646,214)
1.3	Dividends received		-	-
1.4	Interest and other items of a similar nature received		1,238,533	1,238,533
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		-	-
	Net operating cash flows		**(6,081,321)**	**(6,081,321)**
Cash flows related to investing activities				
1.8	Payment for purchases of:			
		(a) fixed assets	(894,207)	(894,207)
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		**(894,207)**	**(894,207)**
1.13	Total operating and investing cash flows (carried forward)		(6,975,528)	(6,975,528)

1.13	Total operating and investing cash flows (brought forward)	(6,975,528)	(6,975,528)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	17,275,067	17,275,067
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	(28,000)	(28,000)
	Net financing cash flows	**17,247,067**	**17,247,067**
	Net increase (decrease) in cash held	**10,271,539**	**10,271,539**
1.20	Cash at beginning of quarter/year to date	48,390,600	48,390,600
1.21	Exchange rate adjustments to item 1.20	33,045	33,045
	Cash at end of quarter including cash held in escrow	**58,695,184**	**58,695,184**
	Less cash held in escrow	(23,229,024)	(23,229,024)
1.22	**Cash at end of quarter**	**35,466,160**	**35,466,160**

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	233,000
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 to ARC Energy Limited prior to the demerger of Buru. 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 in 2013. This cash balance in escrow has received interest totalling $3,229,024 taking the total escrowed cash balance to $23,229,024.

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	8,198,000
4.2	Development	-
4.3	Production	510,000
4.4	Administration	1,500,000
	Total	**10,158,000**

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	11,466,160	10,821,881
5.2	Deposits at call	24,000,000	15,000,000
5.3	Bank overdraft	-	-
	Total: cash at end of quarter (item 1.22)	**35,466,160**	**25,821,881**
	Cash held in escrow	23,229,024	22,568,719
	Total: cash at end of quarter including cash held in escrow	**58,695,184**	**48,390,600**

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	N/A			

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**	210,240,549	210,240,549	N/A	N/A
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	27,400,000 -	27,400,000 -	$0.65 -	$0.65 -
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)*	5,000,000 10,241,000 5,000,000 3,720,000 290,000 24,251,000	- - - - -	***Exercise price*** $0.25 $0.30 $0.35 $0.48 $0.75	***Expiry date*** 31 Dec 2011 31 Dec 2011 31 Dec 2011 31 Dec 2012 31 Dec 2012
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
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 4).

2 This statement gives a true and fair view of the matters disclosed.

Sign here: .... Date: 26 October 2011
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**: 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.