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ASX ANNOUNCEMENT (ASX: BRU) 21 May 2012

Commencement of Paradise-1 deepening operation

Buru Energy Limited advises that drilling operations for the deepening of the Paradise-1 well commenced at 21:00hrs, 20 May 2012 (AWST) using Century Rig #7. As at 06:00hrs on 21 May 2012 (AWST) the current operation was preparing to conduct a cement squeeze and Formation Integrity Test (“FIT”) at the casing shoe prior to drilling ahead.

The Paradise-1 deepening operation is the second well in the Buru – Mitsubishi Corporation (“MC”) 2012 Joint Exploration Program.

The Paradise-1 well is located in exploration permit EP 428 on the boundary with EP 371, some 200 kms southeast of Derby. Buru and MC each have a 50% interest in this well and in EP 428, with MC contributing 80% of the cost of the well under the terms of its farm-in agreement with Buru.

The existing Paradise-1 well was drilled by the Buru and MC joint venture in late 2010 to a depth of 1,700 metres. The well was completed with 7” casing to that depth and then suspended due to operational issues and the onset of the wet season.

The Paradise-1 well encountered an interpreted 9 metre oil zone in sands of the Anderson Formation at approximately 900 metres measured depth, however, testing of this zone at the time was inconclusive. At the total depth of 1,700 metres, the well was interpreted to have either intersected or been close to intersecting the top of the Laurel Formation, with background gas beginning to increase.

The deepening operation at Paradise-1 will be in 6” hole to a prognosed total depth of 3,200 metres in the Lower Laurel Formation, and is expected to take some 20 days to complete.

The well is located on a large structural closure with the potential for both conventional and tight oil and gas reservoirs. The regional Valhalla gas accumulation in the Laurel Formation is also interpreted to extend to the Paradise area. If the Laurel Formation encountered in the Paradise-1 well has the same characteristics as seen in the Valhalla-2 and Valhalla North-1 wells, this will confirm a northwest extension of the Valhalla wet gas accumulation over a distance of some 21 kilometres.

An extensive data set will be collected from the well to aid in the interpretation of the regional prospectivity and assist in further confirming the extent of the Valhalla accumulation.

Buru's Executive Director, Mr Eric Streitberg, commented on the commencement of drilling operations:

"This is an important and exciting test of the both the conventional and tight gas potential of the Laurel Formation, on what is interpreted to be a large structural closure. The recent independent review of the area by McDaniel confirmed that there is a very large basin centred gas accumulation in the Valhalla area. The Paradise well will test the upside potential of the accumulation.

If hydrocarbons are encountered as prognosed in the Laurel Formation, the potential hydrocarbon volumes associated with the Valhalla accumulation are expected to be confirmed, and importantly, the risk factors ascribed to their presence will decrease. The results of the well, whether confirming the upside of the Valhalla accumulation, or limiting its extent, will provide extremely important information in an area that has seen little drilling, despite its obvious prospectivity. It will also provide important data in relation to the potential for the development of good quality conventional reservoirs in the area."

In accordance with its policy of releasing weekly drilling progress reports, the Company expects to issue drilling progress reports on Thursday of each week, subject to any material events occurring in the meantime.

Further information on the Company is available at: www.buruenergy.com

For inquiries please contact:

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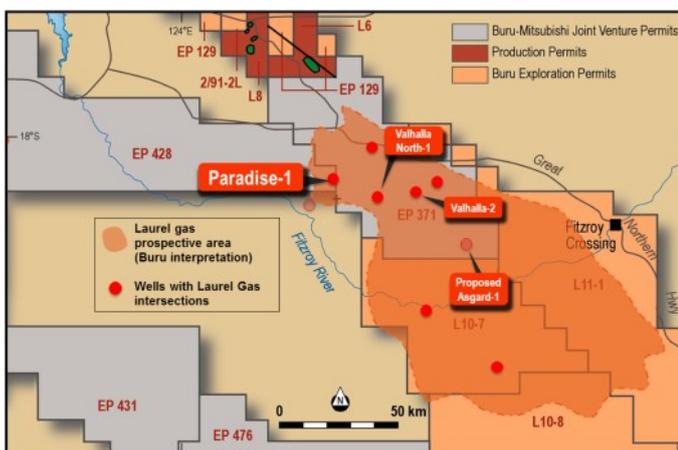
PARADISE-1 DEEPENING

PERMIT	The Paradise-1 well is located in exploration permit EP 428 on the boundary with EP 371. Maps showing the location of the well are set out below.		
WELL LOCATION	Latitude: 17° 59' 59.6" S	Easting: 666913m	Longitude: 124° 34' 35.5" E Northing: 8009115m
BURU'S INTEREST	Buru Energy Limited holds a 50% interest in the well		
DATE OF PROGRESS REPORT	06:00hrs, 21 May 2012 (AWST)		
PROPOSED TOTAL DEPTH	3,200m		
CURRENT DEPTH	1,706 m		
PROGNOSED TIME TO COMPLETION	20 days		
SPUD DATE	20 May 2012		
DAYS SINCE SPUD	1 day		
CURRENT TARGET FORMATION	The Paradise-1 well is targeting the Upper and Lower Laurel reservoirs		
OPERATIONS SINCE LAST PROGRESS REPORT	Drilling operations commenced at 21:00hrs, 20 May 2012 (AWST). The casing shoe has been drilled out and the well drilled to 1,706 metres.		
HYDROCARBON INDICATIONS	None. None expected.		
FORWARD OPERATIONS	A cement squeeze job is now being undertaken around the casing shoe prior to conducting an FIT and drilling ahead.		

LOCATION MAPS



Paradise-1 Regional location map



Paradise-1 Interpreted Valhalla Laurel Formation Accumulation