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## **ASX ANNOUNCEMENT (ASX: BRU)      15 September 2010**

### **Corporate and Operations Update**

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Please find attached a corporate and operations update for Buru Energy Limited (“**Buru**” or “**Company**”). This provides an update on the Company’s 2010 exploration program and preparations for the 2011 exploration campaign.

Further information on the company is available on the Buru website at:  
[www.buruenergy.com](http://www.buruenergy.com)

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Yours faithfully

A handwritten signature in black ink, appearing to read "Eric Streitberg", written over a printed name and title.

**ERIC STREITBERG**  
**Executive Director**

# Overview and Exploration Update

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September 2010

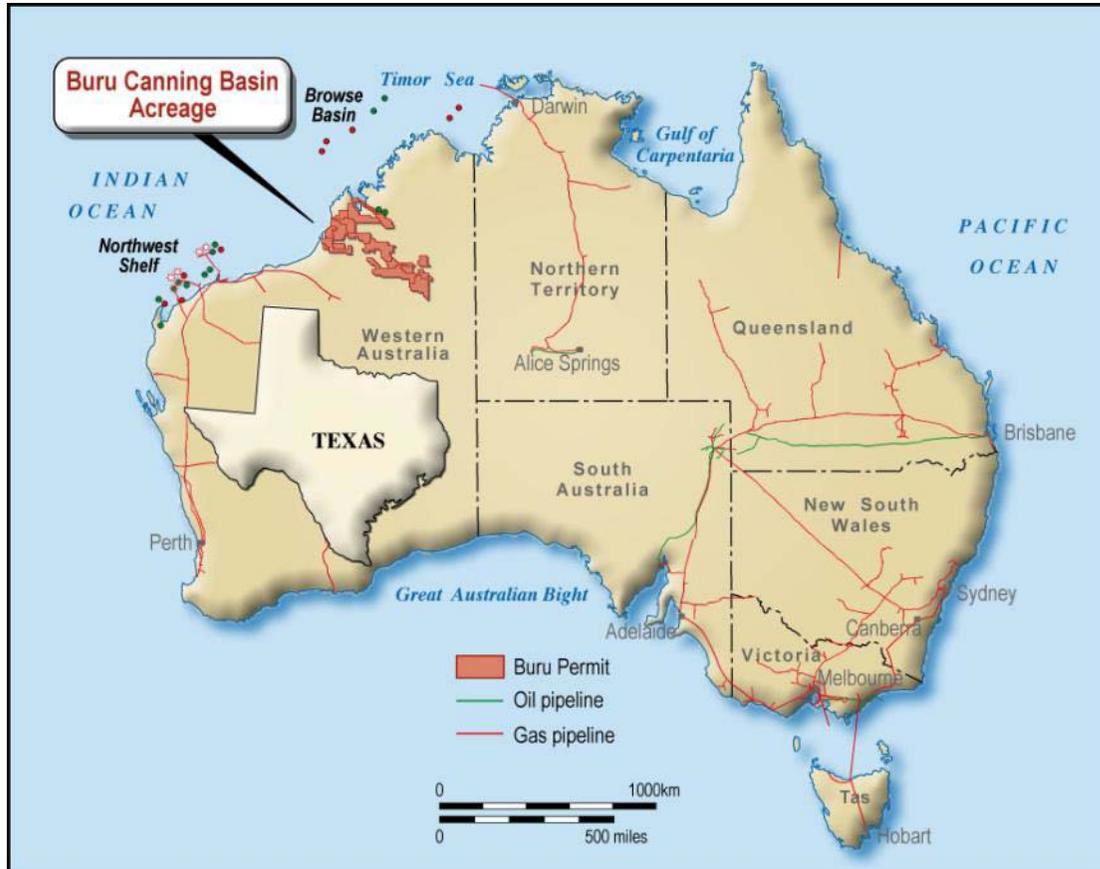


# Overview

Buru is a well funded oil and gas exploration company with a substantial international partner and an active onshore Australian exploration program for very high value targets:

- Huge, contiguous, high quality acreage holding in the Canning Superbasin in the Kimberley region in the north west of Western Australia
- \$35 million in cash and farm-in agreement with Mitsubishi for up to \$152 million of additional exploration and development funding
- Aggressive exploration programs this year and next year for high value targets
- Commercialisation structures in place
- At the forefront of the unconventional (shale gas and shale oil) movement in Australia
- Excellent leverage for investors

## Corporate summary



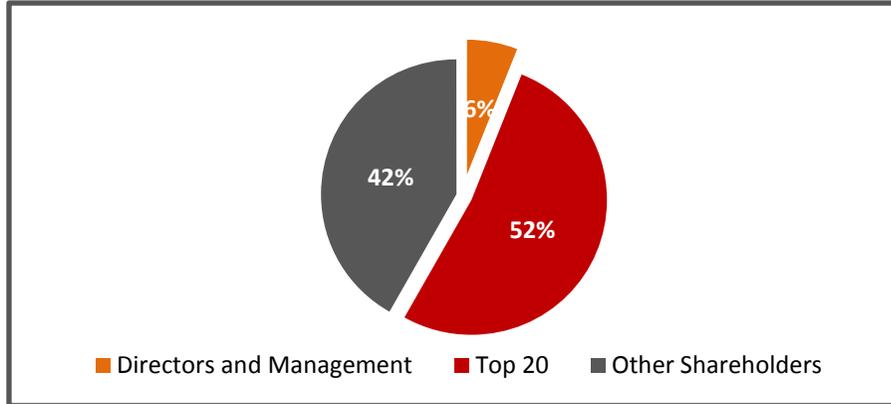
Buru's Canning Superbasin permit locations

### **Buru is a focused explorer and producer in the Canning Superbasin of Western Australia**

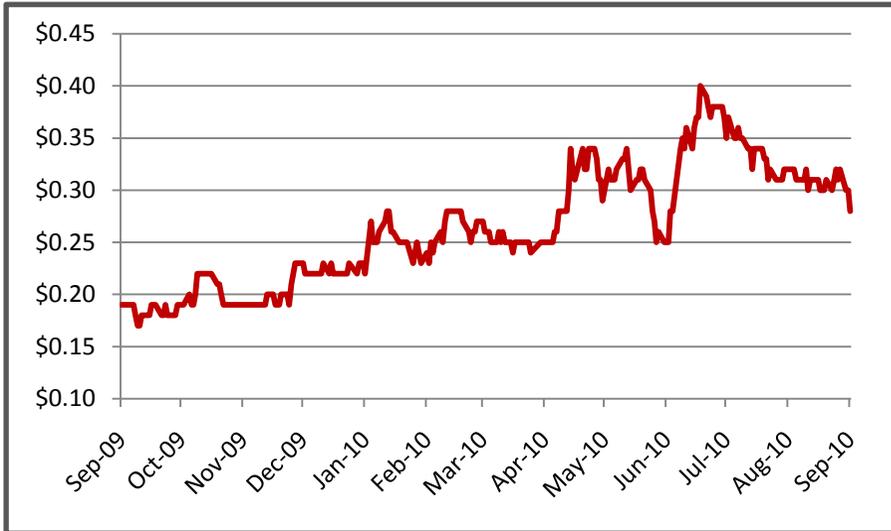
- Buru is an Australian stock exchange listed company (ASX code BRU) with a market cap of ~\$50 million, headquartered in Perth, Western Australia. It was formed from a demerger from ARC Energy in September 2008
- Buru operates solely in the Canning Superbasin in the Kimberley region in the north west of Western Australia
- Buru holds over 75,000 square kilometres (18 million acres) of permits in the most prospective areas of the Canning Superbasin
- Buru currently holds a 60% interest in the majority of its permits with Mitsubishi holding the remaining 40%
- Buru is an experienced local operator – the Company operates all of its permits, has existing oil production (~50 - 80bopd) and owns and operates its own drilling rig

# Corporate Status

Buru's shareholder breakdown



Buru's 12 month share price performance



## Buru offers shareholders exposure to material upside

**Management alignment** – Buru's management holds ~6% of the shares on issue, ensuring a very close alignment with shareholders

**Well funded** – Buru has no debt and net cash available for exploration of ~\$35m, of which ~\$5m will be used to fund Buru's share of the remainder of the 2010 exploration program

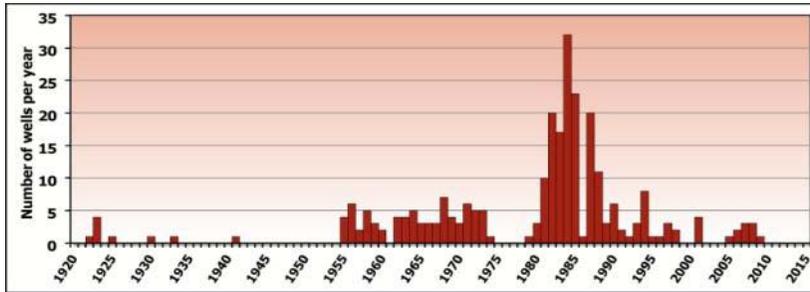
**Share price appreciation potential** – Buru has 182 million shares on issue and a market capitalisation of ~\$50m – ascribing only \$15m to the Company's exploration potential and the value of the +\$150m farm-in deal with Mitsubishi. Any success in the 2010 drilling campaign should deliver immediate value to shareholders

**High equities** – Buru has operatorship and high equities (generally 60% in partnership with Mitsubishi) in the majority of its permits

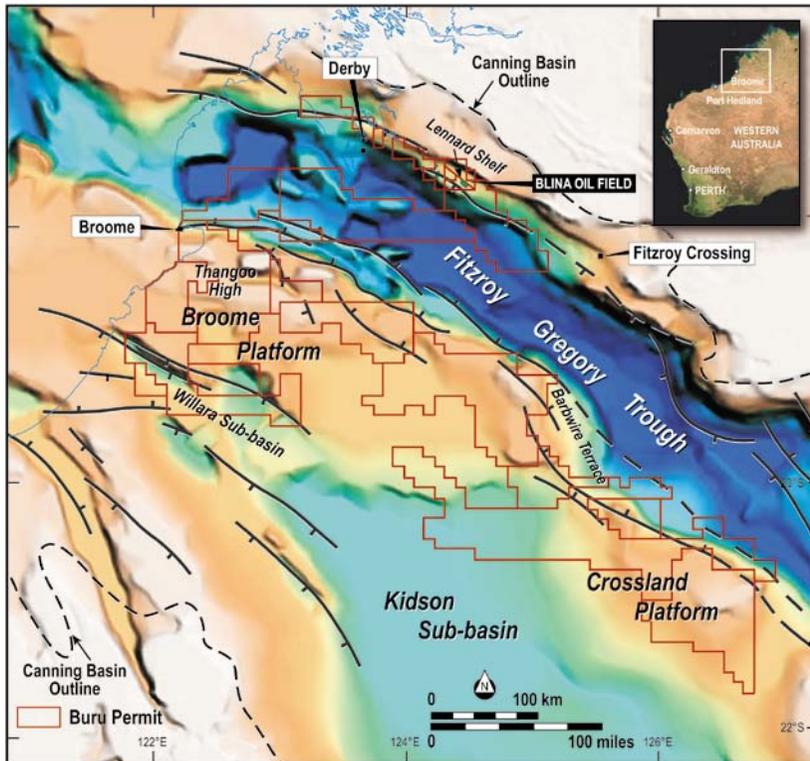
**Future opportunities** – Buru's partnership with Mitsubishi, high equities and its strong financial position ideally position the Company to execute its exploration strategy, successfully develop discoveries and to take advantage of additional growth opportunities as they arise

# The Canning Superbasin

The Canning Superbasin drilling history



The Canning Superbasin geological framework



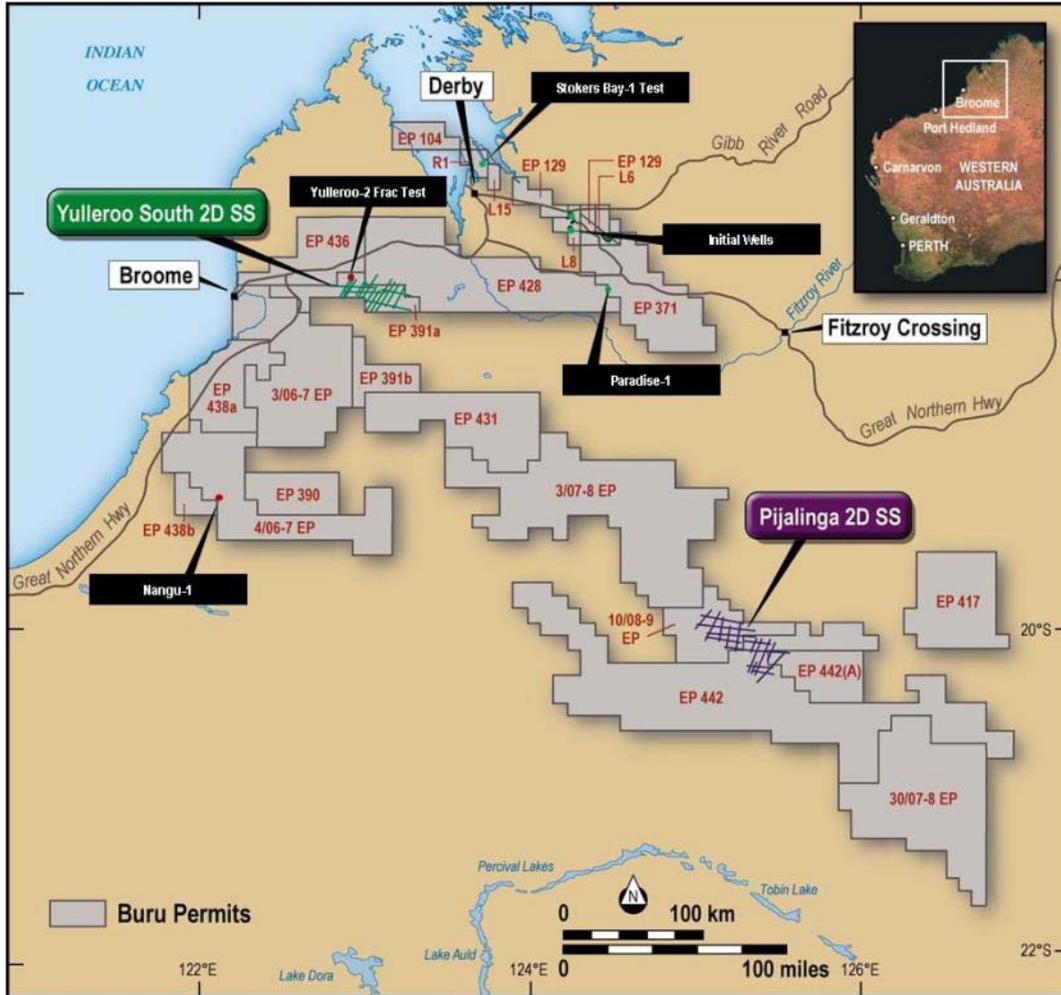
## Buru has revived exploration in a neglected basin with enormous potential for both conventional and unconventional oil and gas

- The Superbasin has working and proven petroleum systems, existing production and plenty of prospects
- Only some 170 wildcats have been drilled in an area the size of France with very little drilling since the 80's oil price and stockmarket crashes
- Buru has revived exploration in the basin. Since late 2006 Buru (and previously ARC) has:
  - acquired the first and only modern digital data set (seismic and wells) for the Superbasin;
  - acquired and high graded permit holdings over the main prospective areas;
  - rationalised the access and commercial framework; and
  - commenced the first systematic exploration program since the 1980s
- To date in 2010 Buru has drilled two exploration wells with two further wells to drilled and two existing wells to be tested before the end of 2010. An additional ~700 kilometres of seismic is also being acquired





# 2010 Exploration Program



Buru's Canning Superbasin acreage showing 2010 exploration program

**Buru's 2010 exploration campaign is currently underway**

**Initial wells** – Buru drilled two wells in close proximity to its existing oil fields. Neither of these wells encountered commercial hydrocarbons

**Exploration wells** – two further exploration wells will be drilled in 2010 to test geologically distinct prospects:

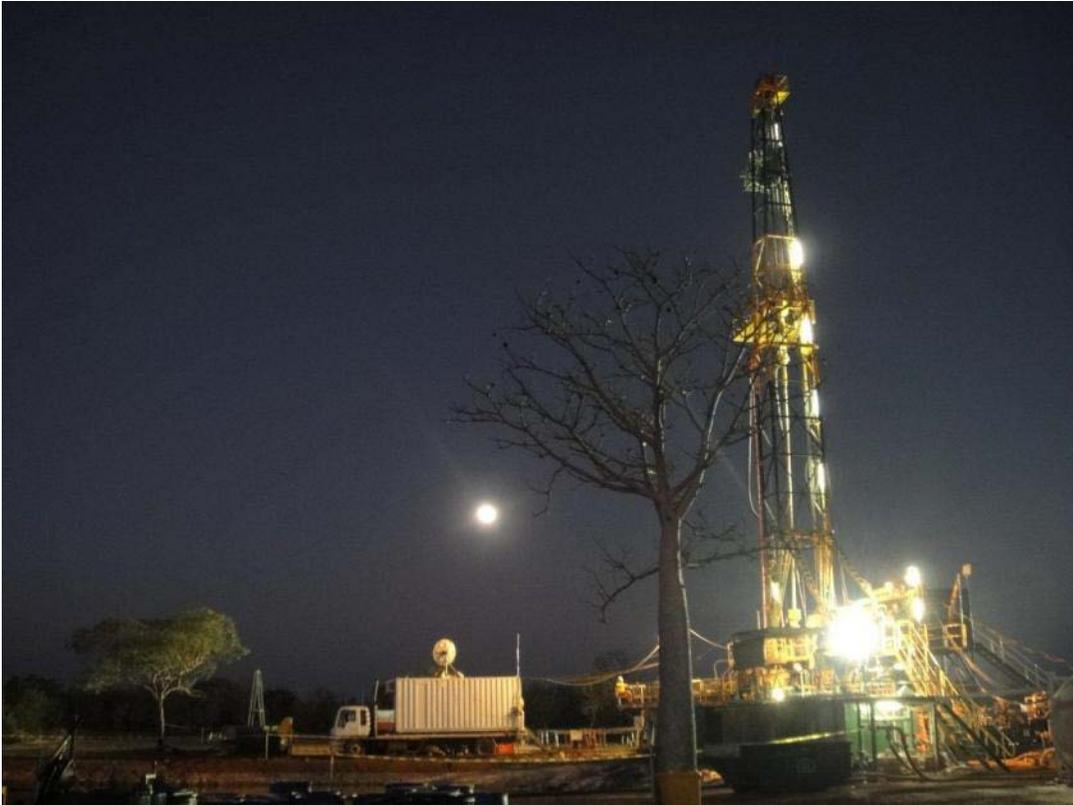
- Paradise-1 in the south western Lennard Shelf Province targeting significant oil, gas and condensate
- Nangu-1 in the south of the WT Province targeting modest reserves of gas and condensate

**Well test** – two existing wells will be tested to identify potential reserves:

- Yulleroo-2, an existing gas and condensate discovery drilled in 2007 will be tested to determine whether commercial flow rates can be maintained
- Stokes Bay-1, an existing well with established porosity will be tested to confirm the existence of hydrocarbons subject to joint venture approval

**2010 seismic** – the Yulleroo South and the Pijalinga seismic surveys will acquire ~700 kilometres of new seismic data to firm up prospects for drilling in 2011

## Drilling Rig

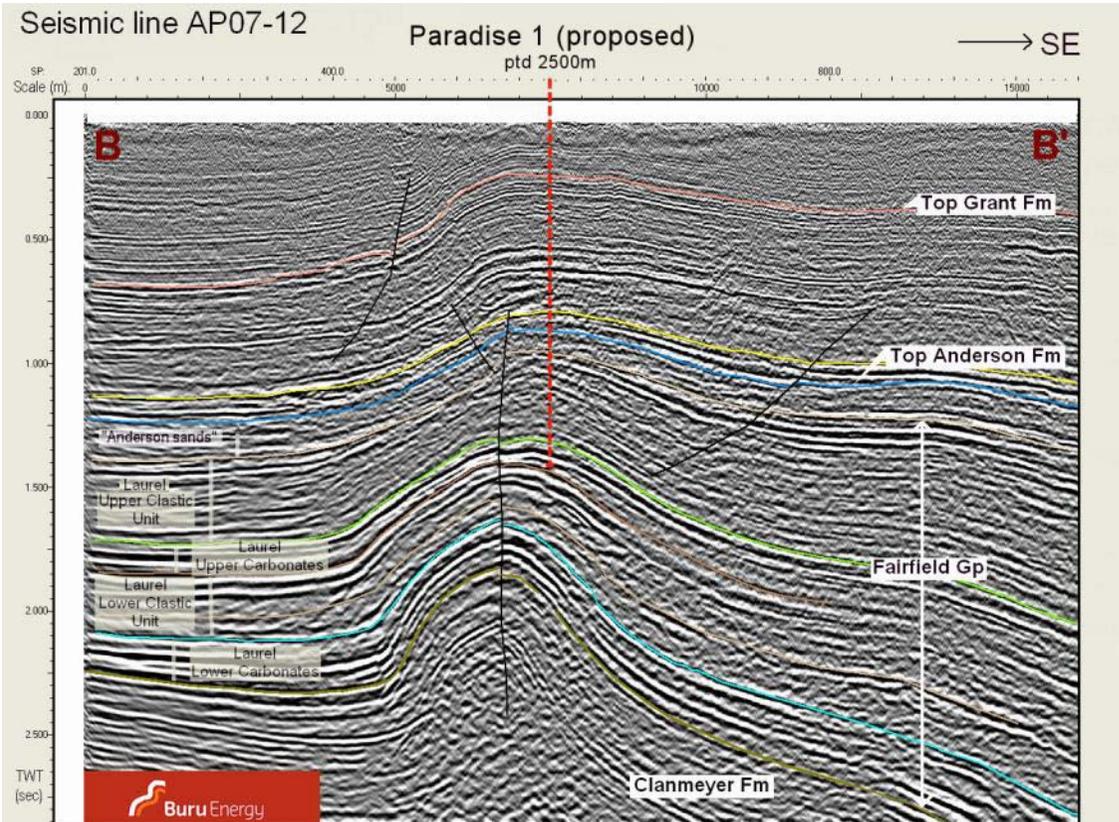


Fairway Rig at the  
Leander-1 well

### All wells in the 2010 drilling campaign will be drilled by Buru's Fairway Rig

- Buru has completed a comprehensive refurbishment of the Fairway Rig to enable it to drill to a depth of 2,500m, sufficient for all committed wells in the 2010 drilling campaign
- Buru has hired an experienced Drilling Manager and Operations Manger to ensure the safe and economic operation of the rig
- Owning and operating its own rig provides Buru with cost savings and operational flexibility that are not available with third party rigs
- Buru can drill what it wants, when it wants rather than having to match its operational schedules to the commercial demands of a third party rig operator
- Costs are reduced through not having to generate profits for a third party rig operator and the ability to control mobilisation and demobilisation costs

# Paradise-1



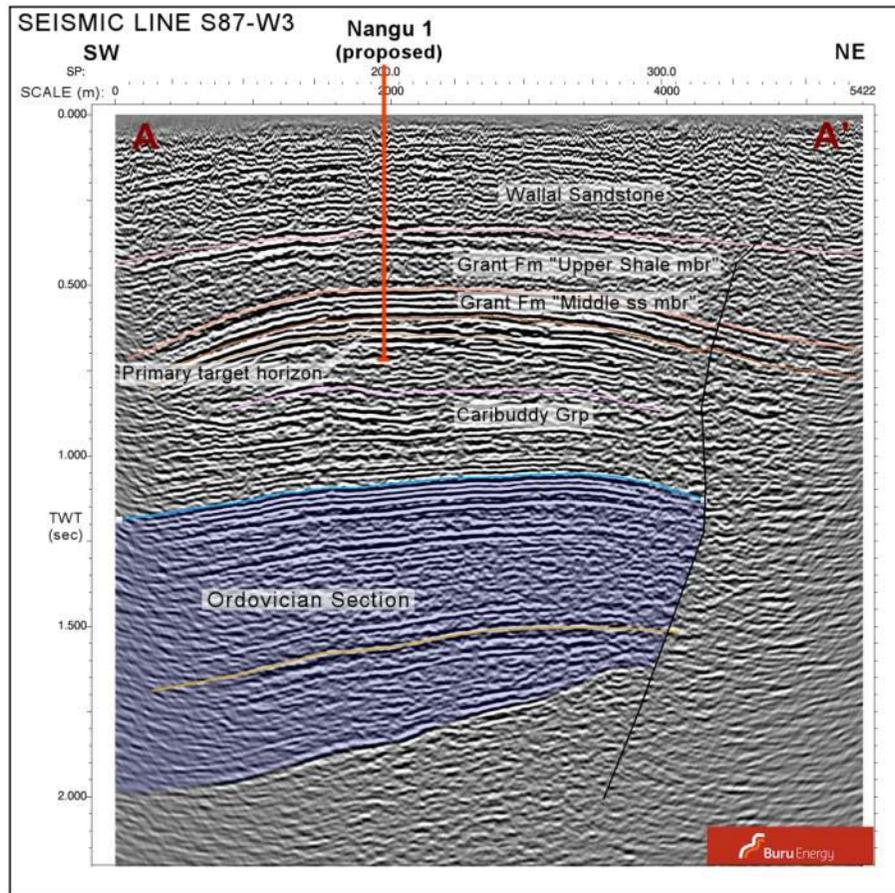
Paradise 2D seismic line showing Paradise-1 well location

## Paradise-1 is the next exploration well to be drilled in the 2010 drilling program

- Paradise-1 is located in Exploration Permit EP 371, on the boundary with EP 428. The prospect was confirmed by the 2009 Paradise 2D seismic survey
- The well is targeting the Anderson and Laurel Formation sands. These sands contained numerous oil and gas zones in the Valhalla-1 well drilled by ARC Energy in 2007 but were not tested due to drilling and rig problems
- The Paradise-1 prospect is a large regional structure with the potential to hold significant volumes of oil, gas and condensate in a series of stacked reservoirs, with a P50 case of approximately 16 million barrels of oil and over 200 bcf of gas if hydrocarbons are present
- Cores will also be taken of the Anderson and Laurel Formations to provide information on the potential for shale gas and tight gas plays
- The well will be drilled to a total depth of 2,500m with drilling expected to commence in early October



# Nangu-1

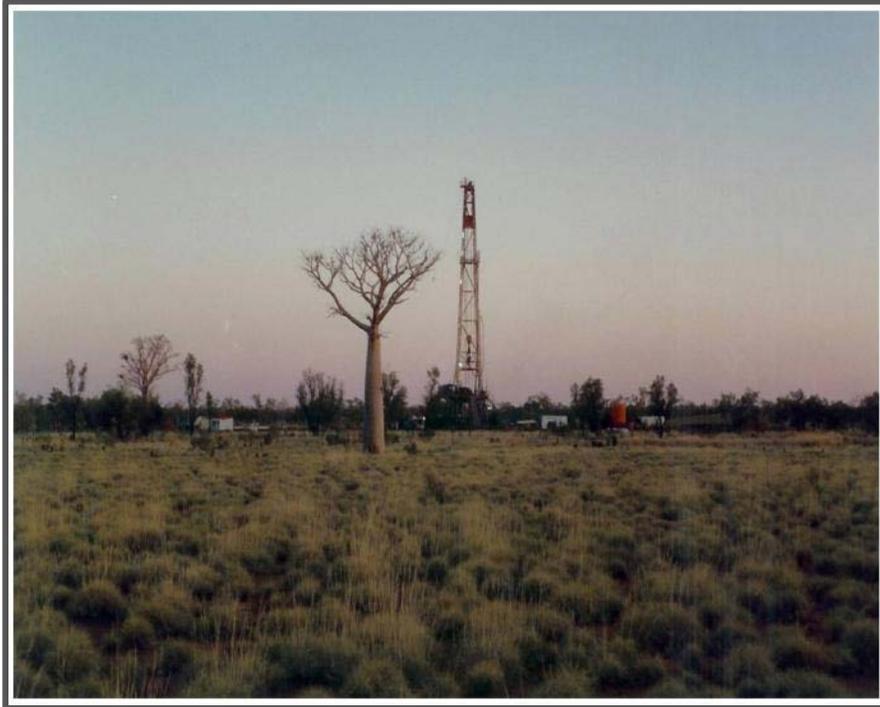


## Nangu-1 is the final exploration well to be drilled in the 2010 drilling program

- Nangu-1 is located in Application Area 4/06-7, approximately 250 kilometres south of Broome
- The well is an important test of a major play type with significant potential for gas and condensate
- The well is targeting P50 reserves of approximately 1 million barrels of condensate and 15 bcf of gas if hydrocarbons are present
- The Nangu-1 target is modest in itself, but if successful will create the potential for the development of a regional gas gathering and condensate production project based on the identified follow-up potential in the area
- The well is located close the Great Northern Highway allowing rapid commercialisation, potentially through sales to the major mining projects at Telfer and Kagara Ltd's proposed Admiral Bay lead/zinc mining operation and the Anderson and Laurel Formation sands
- Drilling will commence following completion of the Paradise-1 well, expected to be in mid-November

Nangu-1 2D seismic line showing Nangu-1 well location

## Well Tests



Yulleroo-2 well

### **Buru will undertake wells tests of two existing wells during 2010**

#### **Yulleroo-2**

- The Yulleroo-2 well proved the existence of a large gas accumulation with a gross column of over 800 metres with identified estimated recoverable reserves in excess of 400 bcf of gas together with in excess of 20 million barrels of liquids on a P50 basis with potentially another 1 tcf of recoverable gas contained in the shales on the gas column on a P50 basis
- The test will occur in mid-October be undertaken using a high volume “slick water” frac, a similar technique to that used successfully in the Eagle Ford and other shale plays in the US
- A successful test will justify further appraisal drilling to commercialise the discovery as the cornerstone of a new gas province underpinning the construction of the Great Northern Pipeline

#### **Stokes Bay-1**

- An inconclusive test of the reservoir at Stokes Bay-1 was undertaken by the joint venture in late 2008
- Subject to final joint venture approval, a coil tubing unit will be used to conduct a nitrogen lift to test the well in mid to late October
- The test is designed to flush drilling fluids from the well and identify hydrocarbons in the formation fluids

# Shale Gas Potential

Cores of gas mature, organic rich shale from the Laurel formation in the Yulleroo-1 well in Buru's permit EP 391.

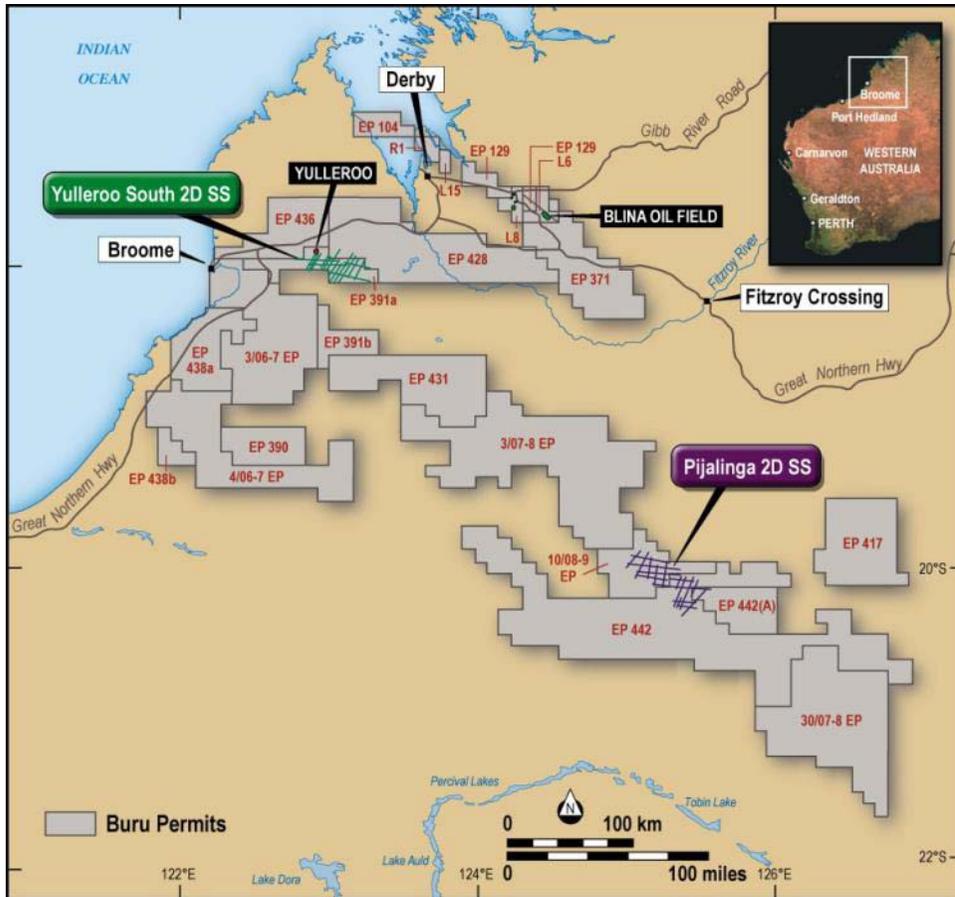
The thin laminae and natural fractures suggest that the formation will be amenable to the fracture treatments that shale gas reservoirs require for economic productivity.



## **Buru has been actively evaluating the shale gas potential of the Canning Basin and in 2010 will be cutting the first shale gas evaluation cores in the Canning Basin**

- There is very large potential for shale gas in the Canning Basin together with potential for a major tight gas play
- There are several thick, widespread, mature, organic rich shales on Buru's permits including the Noonkanbah, Lower Anderson, Laurel, Gogo and Goldwyer Formations
- Buru and its consultants have undertaken an analysis of the shales in the areas of its permits including additional sample and core analysis and have confirmed that good potential for shale gas plays is extensively present on Buru's permits
- As part of its 2010 drilling campaign Buru has taken cores from the Noonkanbah shales in Fairwell-1 and will be coring the Anderson and Laurel Formations as part of the Paradise-1 well
- Obtaining fresh core in potential shale gas formations is an essential part of the evaluation of these plays in anticipation of drilling at least one well to test a shale gas play in the 2011 exploration campaign

## 2010 Seismic



Buru's 2010 seismic surveys

**Buru is currently acquiring extensive 2D seismic in preparation for the for the 2011 drilling campaign**

**Terrex Seismic** – Buru has appointed Terrex Seismic to undertake the Yulleroo South and Pijalinga 2D seismic surveys. Terrex Seismic successfully completed the Bunda 3D and Paradise 2D seismic surveys in 2009 on time and on budget

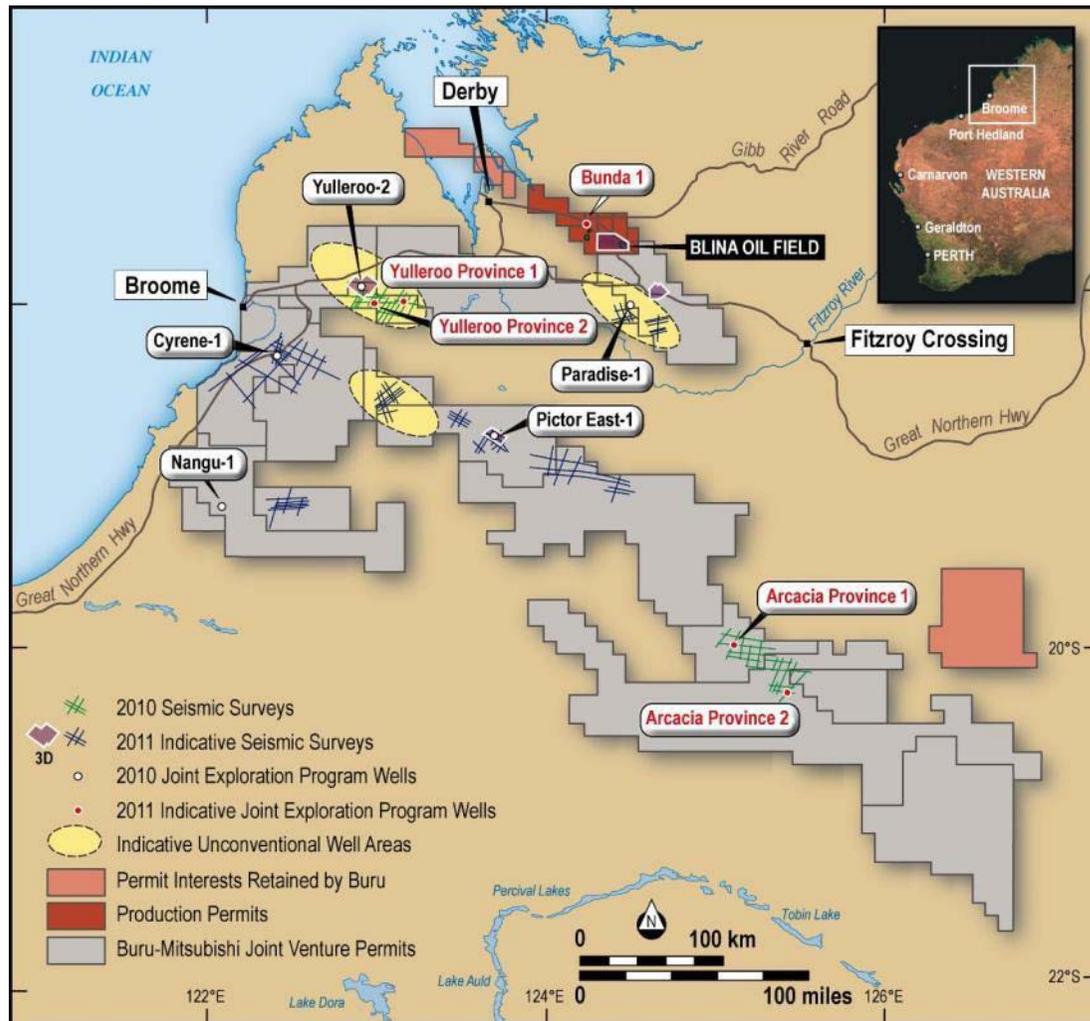
### Yulleroo South 2D seismic survey

- Approximately 347 line kilometres to be acquired in the Yulleroo Province
- Designed to further delineate prospects in the Yulleroo Province and to identify the potential for follow-up wells to Yulleroo-2

### Pijalinga 2D seismic survey

- Approximately 408 line kilometres to be acquired in the southeastern part of the Acacia Province
- This survey will be one of the first modern seismic surveys conducted in the southeast part of the Acacia Province and will greatly enhance the geological understanding of the region and the prospect identification process
- The results of this survey will be an important part of identifying prospects for drilling in the 2011 drilling campaign

# 2011 Exploration Program



**The 2011 exploration program is targeting a wide variety of prospects to maximize the chance of exploration success**

## Exploration Philosophy

- The Canning Superbasin requires a systematic regional exploration program over a period of several years to achieve long term success
- The 2010 exploration program has been agreed and the 2011 exploration program is being jointly reviewed by Mitsubishi and Buru
- The long term program will see the continued exploration and development of the basin over many years

## 2011 Indicative Joint Exploration Program

- Two conventional oil and gas exploration wells in the Yulleroo Province
- Two conventional oil and gas exploration wells in the Acacia Province
- One well to test an unconventional (shale gas/oil) play
- 1,250kms of 2D seismic and 250 square kilometres of 3D seismic

## Overview

Buru is a well funded oil and gas exploration company with a substantial international partner and an active exploration program:

- 75,000 square kilometres of exploration permits across the most prospective parts of the Canning Superbasin in the Kimberley region in the north west of Western Australia
- \$35 million in cash available for exploration and development
- Farm-in agreement with Mitsubishi provides up to \$152.4 million of additional exploration and development funding
- Two exploration wells drilled to date in 2010 with two further exploration wells confirmed for drilling and two existing wells confirmed for testing in 2010
- ~700 kilometres of 2D seismic being acquired in 2010
- 2011 program in planning, likely to include 5 exploration wells and 1 well to test a shale gas play together with ~1,250 kilometres of 2D seismic and 250 square kilometres of 3D seismic