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Buru Energy Limited (ASX code: BRU & market cap of ~\$30 million) recently announced a Strategic Review and Forward Program for its business. Why did you undertake a Strategic Review? What were the main outcomes?

**MD Adrian Cook**

In essence, the economic situation late last year was suggesting to us that this was not going to be a short term downturn in either the economy or the oil price and we wanted to be prepared and well positioned for economic conditions either deteriorating further or staying weak for an extended period.

The outcome of our review is that we will set our forward strategy over three horizons; firstly to make sure our existing business is in good shape and operating efficiently, secondly we'll look to extract value from the existing business as economic factors justify, such as on the back of an increasing oil price, and thirdly we'll look for value outside our existing business, such as asset acquisitions or other business opportunities both inside and outside the Canning Basin.

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You have commenced a targeted cost reduction program in light of the adverse changes to global economic conditions. How do you reconcile this decision - which is based on the current economic conditions - with the fact that oil and gas exploration and development is a long term business/investment?

**MD Adrian Cook**

We have responded to global economic conditions by reducing the cost structure in the business and we'll continue to hold this line until markets improve, the timing of which is very uncertain.

This does not mean we'll be shutting down exploration, quite the reverse, we'll continue our planning and preparations to explore in the Canning Basin and will set ourselves up to respond quickly once the market improves by being in a position to bring on oil production and drill quality exploration wells. One of the benefits of the Canning Basin is that once we make a discovery we can bring that discovery into production relatively quickly. We don't have the same long time frames that oil and gas explorers in say an offshore or international environment would face.

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Can you describe Buru's Canning Basin assets including the geology and your understanding of existing working hydrocarbon systems in the Canning? What is your current assessment of the prospectivity of the portfolio including a reference to relative risk and potential reward?

**MD Adrian Cook**

Previous drilling in the Basin has clearly shown there are hydrocarbons present. The issue has been discovering quantities that are commercial, and to date the only commercial success has been the Buru owned Blina / Sundown and associated oil fields. One of the issues is that the region is so large the drilling density is a fraction of what other regions have, such as in the Cooper Basin. We see success being dependent on the technical work undertaken, the number of wells that can be drilled with the financial resources we have and of course a little luck. One aspect of our strategy involves providing our technical team with more time to identify drilling prospects and refine those already identified. The other aspect of our strategy is to wait for substantially lower input costs for drilling rigs and ancillary services to enable us to drill more wells with our financial resources. We're hoping to see market conditions support restarting our drilling activities in earnest in May 2010, being the first opportunity after the 2009 / 2010 wet season.

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With reference to the relative risk and potential reward, what is the forward exploration strategy for both oil and gas? What are the different economic considerations for gas and oil exploration?

**MD Adrian Cook**

It's worth noting that the economics for gas exploration are very different to oil in that value is generated from gas over a longer time frame, but on a more consistent basis compared to oil. Gas is a very attractive proposition in Western Australia at present and Buru is very keen to discover gas that it can supply to Alcoa under the Gas Sale Agreement that was transferred from ARC as part of Buru's demerger from ARC. We have some significant gas prospects in our portfolio and we're very keen to test these as soon as we can justify bringing a rig into the Basin. As I mentioned earlier, we're hoping conditions will support doing this around May 2010 when the wet season ends.

In the meantime we're planning on conducting this year the first 3D seismic survey to be undertaken in the Canning Basin. The survey will be over the existing oil fields and will seek to define more precisely additional oil targets in this region and also provide us with more geological information on potential gas bearing structures. Our drilling portfolio includes a very interesting oil and gas prospect which we're referring to as the Paradise prospect. As part of these surveys we're planning to acquire more 2D seismic data over this prospect to provide us with more information on structural closure risk before we drill the prospect in 2010.

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Can you give more detail on your development and production activities over the last few months? What is the forward program and what changes do you see occurring in the net cash holding?

**MD Adrian Cook**

Since listing in September 2009 we worked over several wells in the Blina / Sundown oil fields with production increasing from around 30 bopd to over 200 bopd. We think there is more potential in the existing wells and we're undertaking further technical work on this now.

One of our strategies is to high grade our asset portfolio and while the 2D seismic data over the existing fields is pointing to some interesting structures in this region, we want greater clarity before drilling these by getting the 3D seismic data. Our plan is to do all the work necessary for us to move quickly once oil prices increase and then monetise the reserves at the higher prices. Our strategy is to maximise cash generation over the next 1 to 3 years rather than produce oil at full capacity now only to sell it at these low prices.

In terms of our cash reserves, we currently have around \$59 million in free cash. In 2009 we expect oil prices and production levels will result in us having a small surplus and we expect our interest income to cover the administrative costs in the business. At this stage we expect to invest around \$5 million to \$7 million in seismic data acquisition programs, resulting in free cash this time next year of around \$52 million to \$54 million. These are still very substantial cash reserves that will enable us to undertake drilling in 2010 and beyond and to acquire other assets if appropriate.

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What is the current capital structure and the balance sheet of the Company?

**MD Adrian Cook**

What's interesting about Buru's capital structure is that a modest oil discovery in the Canning Basin would generate a great deal of value and would lift the share price significantly given the Company only has 163 million shares on issue. There are also 55 million listed options and 28 million unlisted options exercisable at \$0.94 which could also provide a source of value for our shareholders and funding for the Company upon a discovery.

The balance sheet is very strong with around \$79 million in cash, of which \$20 million is held for the benefit of Alcoa should we not supply them gas under the Gas Sales Agreement. The other main asset comprises the exploration and production permit portfolio covering some 140,000 square kilometres in the Canning Basin. There are very few material liabilities other than the Alcoa obligation that I mentioned earlier.

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Can you outline the management expertise and backgrounds in the Company?

**MD Adrian Cook**

We've been careful to set up the management structure to be appropriate for the current conditions whilst having sufficient capacity to do the work required to drill wells once the markets begin to improve.

The Board is chaired by Eric Streitberg who as the Managing Director of ARC, was instrumental in the demerger of Buru from ARC and the merger of the remaining ARC business with Australian Worldwide Exploration Limited. He brings a wealth of experience in building oil and gas businesses with his corporate and geological knowledge.

Graham Riley is a Non-Executive Director and also brings a great depth of experience to the Board through his involvement with a number of other oil and gas companies and broader resource industry directorships. Graham has a proven history of generating value for shareholders from start-up businesses and has been influential in forming Buru's strategic direction.

My background is in finance and commercial operations in the oil and gas and resource sectors and I bring a more corporate and commercial perspective to the business.

We also have a small number of staff in the business covering geological, geophysical, commercial, financial and field operation backgrounds.

Overall, I'd say the management team is as lean as we can make it whilst making sure the technical and corporate work is being properly performed.

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You've stated that the Company is currently seeing a large number of oil and gas investment opportunities becoming available. Why have other investment opportunities assumed greater importance relative to your existing exploration opportunities in the Canning Basin?

**MD Adrian Cook**

Buru's board remains a firm believer in the prospectivity of the Canning Basin and we do not plan to take our focus away from this region. We are, however, very conscious of our obligations to generate returns for shareholders whilst properly appreciating the risks involved. So where we see investment opportunities with potential to add value to our business we're now saying we will not discount reviewing these opportunities, even if they are outside the Canning Basin. At the

end of the day, any new opportunity would need to exceed the perceived value that we could otherwise generate from our existing portfolio.

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How do you differentiate Buru from its peers?

**MD Adrian Cook**

Buru is unique in that it has the combination of strong financial resources, technical expertise and opportunity through the Canning Basin and alternative investments to generate material returns for shareholders in the current environment. Its management structure is experienced and can move quickly on appropriate investment opportunities. Ultimately, Buru's size and capital structure means the value add does not need to be particularly large to have a significant impact on the share price.

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Can you summarise the growth strategy for Buru Energy and why you expect to add value for shareholders?

**MD Adrian Cook**

Buru's growth strategy remains tied to the Canning Basin through making a significant oil and gas discovery. We also see a window of opportunity to supplement, but not replace this, through allocating capital to other areas that can offer greater returns or reduced risk. Fundamentally though we see the purchasing power of Buru's financial resources as having been materially enhanced as a consequence of the global economic downturn. Our challenge is to use this to our shareholders' advantage.

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Thank you Adrian.

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For further information on Buru Energy Limited please visit [www.buruenergy.com](http://www.buruenergy.com) or contact Adrian Cook, Managing Director on Freecall: 1800 337 330 or 08 9215 1800 or [adriancook@buruenergy.com](mailto:adriancook@buruenergy.com)

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