

# Quarterly Report

Period ended 31 March 2019



The Directors of Buru Energy Limited (Buru) are pleased to provide the report for the quarter ended 31 March 2019.

## Highlights

### Ungani Production:

- Oil production for the quarter totalled ~93,000 bbls (gross)
- March oil lifting from Wyndham completed on 12 March 2019 for ~70,000 barrels (gross)

### Ungani Development:

- Ungani 6 and Ungani 7 development wells confirmed by the Buru/Roc Joint Venture
- Early May target spud date for Ungani 6 with mobilisation of NGD 405 drilling rig commenced in April

## Exploration

- Yakka Munga exploration well agreed as the third well in the NGD 405 drilling campaign
- Rafael prospect planned fourth well in the program subject to finalisation of detailed technical analysis
- Additional wells in Lennard Shelf area under consideration
- Independent evaluation report on the conventional Butler Sand prospect on EP 129 on the Lennard Shelf completed
- Acquisition of additional interests in EP 457 & EP 458 completed

## Production

### Ungani Oilfield – L 20/L 21 (*Buru Energy 50% and operator*)

Production from the Ungani Oilfield for the quarter totalled ~93,000 bbls (gross), at an average rate of ~1,030 bopd. Production continued from Ungani 1, Ungani 2, Ungani 5 and Ungani Far West 1 throughout the period, with Ungani 4ST1 recommencing production in mid-March following the installation of a beam pump.

The northern wet season saw lower than average rainfall during the quarter and whilst there were some short periods of precautionary closures of the Ungani access road, these did not result in any lost days of production.

Production will be confined to the currently producing wells until the commissioning of the Ungani 6 and 7 wells at the beginning of the third quarter.

Ungani crude oil continues to be trucked to CGL storage Tank 10 at Wyndham Port prior to its FOB sale to Trafigura. The price received FOB Wyndham is the realised Brent linked oil price less the buyer's fixed marine transport discount.

Ungani sales during the quarter also totalled ~93,000 bbls (gross) from two liftings. The first lifting commenced on 31 December 2018 and was completed on 1 January 2019 for ~70,000 bbls (gross) at ~A\$75/bbl with ~47,000 bbls recorded as revenue in 2018 and ~23,000 bbls recognised as revenue in 2019. The full cash receipt for this lifting is reflected in the Appendix 5B attached to this quarterly report. The second lifting completed on 12 March for a further ~70,000 bbls (gross) at ~A\$86/bbl.

## 2019 Drilling Program

The rig to be used for the 2019 drilling program is NewGen Drilling Pty Ltd (NGD) Rig 405. It is a fully automated modular rig with a nominal depth capacity of 5,000 metres, as well as the capacity to drill high angle and horizontal wells. Because of its modular nature and self-erecting capability, the rig is very well suited to remote operations in areas such as the Canning Basin.



*NGD 405 mobilisation*

During the quarter, the NGD 405 rig completed its pre-acceptance checks in Perth including mechanical and electrical inspection and verification of compliance. Mobilisation of the NGD 405 rig from Perth commenced on 10 April.

Subject to a final rig acceptance inspection, the Ungani 6 well is due to spud in late April/early May.

## Ungani Development Wells

During the quarter, the Buru/Roc Joint Venture agreed to drill two horizontal development wells on the Ungani Oilfield. These wells will be drilled back to back to maximise operational efficiency.

The section of the Ungani 6 well to be drilled by the NGD 405 rig to the top of the Ungani reservoir is expected to take some three weeks to drill and case. At that point the rig will be moved to drill and case the equivalent pre-reservoir section on Ungani 7, after which the rig will be moved to the Yakka Munga 1 exploration well location.

This sequence is expected to be completed by around mid-June at which point the Coiled Tubing Underbalanced Drilling (CTD-UBD) package will be mobilised to drill the respective underbalanced horizontal reservoir sections in the Ungani 6 and Ungani 7 wells.



*Site works Ungani 6*



*Site works Ungani 7*

## **Exploration**

### **Exploration Wells (EP 428) (Buru Energy 50% and operator)**

The third well in the program has been agreed by the Buru/Roc Joint Venture as a wildcat exploration well on the regionally significant Yakka Munga structure on EP 428. Yakka Munga 1 is planned to be drilled to a total depth of some 2,400 metres with its principal objectives being the Reeves Formation sandstones from which oil was tested in the Ungani Far West 1 well. The Reeves Formation is an emerging play in the Canning Basin and the Reeves section in the Yakka Munga 1 well is prognosed to be over 700 metres thick, with a substantial part of the section never previously penetrated in the Basin.

Detailed technical work is ongoing on the Rafael prospect, also on EP 428 as the planned fourth well in the program following Yakka Munga 1, during the third quarter this year. This technical work includes reprocessing of the seismic data over this large structure and further quantification of the source, seal and reservoir parameters for the prospect.

### **Lennard Shelf Assets (EP 129/L 6/L 8/L 17) (Buru Energy 100% and operator)**

#### **Blina and Sundown Oilfields**

The Blina and Sundown Oilfields remained shut-in during the quarter with maintenance and well inspections continuing. Planning operations to undertake decommissioning of legacy production wells on the Lennard Shelf was completed during the quarter and operations are expected to commence in the next quarter. Well decommissioning operations will be undertaken with a jacking platform that has been purchased for these operations and to assist in the coil tubing operations.

## Butler Prospect

The results of an independent evaluation report on the conventional wet gas/oil Butler Sand prospect by ERC Equipose Pte Ltd ("ERCE") has confirmed the potential for substantial resources in this conventional sand prospect that lies partly in permits EP 487 (Rey Resources Ltd and Doriemus PLC), and in Buru's 100% owned EP 129. A joint ASX release dated 11 April by Buru and Doriemus Plc should be referred to for full details of the Prospective Resources determined by ERCE.

Doriemus and Buru are currently collaborating on the planning for the drilling of the Butler 1 well to a total depth of up to 4,000 metres at a location in EP 487 close to the boundary of EP 129. The well could potentially be drilled with the NGD 405 rig at the completion of the Buru/Roc drilling program later this year.

Further information will be provided as agreement is reached on the program for the rest of the year.

## Other Activity

Due diligence work is underway on the Hotdog prospect, the Emanuel prospect, and on the potential of bypassed oil zones in the Yellowdrum Formation at the Blina Field, all of which lie in the 100% Buru owned Lennard Shelf areas.

The availability of the NGD 405 drilling rig in the Basin, and the well decommissioning crew and equipment in the Lennard Shelf area, provides a unique opportunity to undertake operations on the Lennard Shelf this year.

## **Permit equity acquisition (EP 457 & EP 458)** *(Buru Energy 60% and operator)*

The Company's acquisition of an additional interest in EP 457 and EP 458 from a subsidiary of Mitsubishi Corporation (refer ASX announcement 10 December 2018) reached final settlement in March with receipt of the Government approvals and the cash consideration of \$720,000 paid by Buru.

Buru now owns a 60% interest in each of EP 457 and EP 458, with Rey Resources Ltd holding the remaining 40%. Buru continues as the operator of these permits, with ongoing technical work identifying a number of interesting new play types.

## **Yulleroo Gasfield (EP 391 & EP 436)** *(Buru Energy 50% and operator of the conventional gas assets / 100% and operator of unconventional gas assets)*

Buru has full title to the extensive tight wet gas resources of the Laurel Formation in its permits through the central part of the Fitzroy Trough of the Canning Basin.

The most well developed of these resources is the Yulleroo Gasfield where four wells have defined a substantial gas accumulation. Further review of this resource has identified a number of zones where there is potential for conventional gas production and these zones are currently being evaluated for testing in 2019 using the coil tubing unit mobilised for the Ungani drilling program. Conventional gas resources could be used to supply local industry and power generation as a substitute for LNG trucked from the Pilbara.

## Corporate

An additional \$0.5 million "accelerated capital repayment" of the loan owed to Alcoa was paid in the first week of January 2019 calculated on Ungani crude sales received during the 2018 year. The remaining liability of \$4.5 million is repayable in two instalments with \$2.5 million due on 31 December 2019 and the remainder due in December 2020.

The Company's 2018 annual report was released on 26 March 2019 and is available on the ASX and on the Company's website.

The Company's Annual General Meeting will be held in Perth on 16 May at the Celtic Club, 48 Ord Street, West Perth. The notice of meeting was released on 9 April and is also available on the ASX and the Company's website.

## Financial

The Company's balance sheet remains strong with ~\$61.5 million in cash as at 31 March 2019. During the March 2019 quarter, the Company recorded a net cash outflow of \$2.5 million. The ASX Appendix 5B attached to this report contains the Company's cash flow statement for the quarter which is summarised as follows:

Cashflows	Mar 2019 Quarter	Dec 2018 Quarter
Production	\$3.3m	\$1.4m
Development	(\$1.7m)	(\$2.4m)
Exploration	(\$2.1m)	(\$2.1m)
Administration and Corporate	(\$1.1m)	(\$1.0m)
Other	\$0.3m	-
<b>Cash outflow from operations</b>	<b>(\$1.3m)</b>	<b>(\$4.1m)</b>
Additional interest acquired in EP 457 & EP 458	(\$0.7m)	-
Partial repayment of Alcoa loan	(\$0.5m)	(\$2.9m)
<b>Total cash outflow</b>	<b>(\$2.5m)</b>	<b>(\$7.0m)</b>
<b>Closing cash</b>	<b>\$61.5m</b>	<b>\$64.0m</b>

**Production:** Net production cash flows included Buru's share of Ungani crude production sold FOB Wyndham during the quarter, less production cash costs. As described above, receipts related to two liftings completed during the quarter.

**Development:** Cash flows comprised of Buru's share of costs associated with the sidetrack operations at Ungani 4ST1 completed in late 2018, various well workovers, minor surface upgrades and preparations for the Ungani development wells to be drilled in 2019.

**Exploration:** Cash outflows comprised Buru's share of the Ungani West 1 exploration well completed in late 2018, as well as the ongoing Ungani oil trend evaluation, asset integrity, Traditional Owner engagement costs and desktop geological and geophysical work and preparations for the explorations wells to be drilled in 2019.

**Administration and corporate:** Cash outflows were consistent with prior quarters.

**Other:** Primarily related to interest income received.

**Acquisition of additional interest in EP 457 & EP 458:** A cash payment of \$720,000 was paid during the quarter for the additional interest in EP 457 and EP 458 from a subsidiary of Mitsubishi Corporation that settled in March.

**Partial repayment of Alcoa loan:** An additional \$0.5 million "accelerated capital repayment" was paid in January as described above.

The Company is forecasting a cash outflow of \$7.4 million in the June 2019 quarter as detailed below.

Cashflows	Jun 2019 Forecast	Mar 2019 Actual
Production	\$2.2m	\$3.3m
Development	(\$6.4m)	(\$1.7m)
Exploration	(\$2.1m)	(\$2.1m)
Administration and Corporate	(\$1.1m)	(\$1.1m)
Other	-	\$0.3m
<b>Cash outflow from operations</b>	<b>(\$7.4m)</b>	<b>(\$1.3m)</b>
Additional interest acquired in EP 457 & EP 458	-	(\$0.7m)
<b>Total cash outflow</b>	<b>(\$7.4m)</b>	<b>(\$2.5m)</b>
<b>Closing cash</b>	<b>\$54.1m</b>	<b>\$61.5m</b>

**Production:** Forecast net production cash flows include Buru's share of Ungani crude production to be sold FOB Wyndham with one lifting forecast to be received during the upcoming quarter.

**Development:** Forecast cash outflows include Buru's share of the Ungani 6 and Ungani 7 development wells to be drilled in the upcoming quarter.

**Exploration:** Cash outflows are forecast to include Buru's share of preparation for the exploration wells to be drilled in 2019 as well as the ongoing expenditures relating to desktop geological and geophysical work, asset integrity and Traditional Owner engagement.

**Administration and corporate:** Cash outflows are estimated to remain consistent with previous quarters.

#### Schedule of interests in permits as at 31 March 2019

Permit	Type	Ownership	Operator	Location
L6*	Production licence	100.00%	Buru Energy Ltd	Canning Basin, WA
L8	Production licence	100.00%	Buru Energy Ltd	Canning Basin, WA
L17	Production licence	100.00%	Buru Energy Ltd	Canning Basin, WA
L20	Production licence	50.00%	Buru Energy Ltd	Canning Basin, WA
L21	Production licence	50.00%	Buru Energy Ltd	Canning Basin, WA
EP 129*	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP 391	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP 428	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP 431	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP 436	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP 457	Exploration permit	60.00%	Buru Fitzroy Pty Ltd	Canning Basin, WA
EP 458	Exploration permit	60.00%	Buru Fitzroy Pty Ltd	Canning Basin, WA

\* Excluding the Backreef Area.

Visit [www.buruenergy.com](http://www.buruenergy.com) for information on Buru Energy's current and future activities.

For investor inquiries please contact Buru Energy:

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## **About Buru Energy**

Buru Energy Limited (ASX: BRU) is a Western Australian oil and gas exploration and production company headquartered in Perth with an operational office in Broome. The Company's petroleum assets and tenements are located onshore in the Canning Basin in the southwest Kimberley region of Western Australia. It owns and operates 50% of its flagship high quality conventional Ungani Oilfield project and 100% of its potentially world class tight gas resources.

The company's goal is to deliver material benefits to its shareholders, the State of Western Australia, the Traditional Owners of the areas in which it operates, and the Kimberley community, by successfully exploring for and developing the petroleum resources of the Canning Basin in an environmentally and culturally sensitive manner.

## **Qualified Petroleum Resources Evaluator Statement**

Except where otherwise noted, information in this release related to exploration and production results and petroleum resources is based on information compiled by Eric Streitberg who is an employee of Buru Energy Limited. Mr Streitberg is a Fellow of the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors, and a member and Certified Petroleum Geologist of the American Association of Petroleum Geologists. He has over 40 years of relevant experience. Mr Streitberg consents to the inclusion of the information in this document.

## **Forward Looking Statements**

This document has been prepared by Buru Energy Limited ABN 71 130 651 437 ("Buru Energy"). This document contains certain statements which may constitute "forward-looking statements". It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including, but not limited to:

price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve and resource estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delays or advancements, approvals and cost estimates.

Buru Energy's operations and activities are subject to regulatory and other approvals and their timing and order may also be affected by weather, availability of equipment and materials and land access arrangements, including native title arrangements.

Although Buru Energy believes that the expectations raised in this document are reasonable there can be no certainty that the events or operations described in this document will occur in the timeframe or order presented or at all.

No representation or warranty, expressed or implied, is made by Buru Energy or any other person that the material contained in this document will be achieved or prove to be correct. Except for statutory liability which cannot be excluded, each of Buru Energy, its officers, employees and advisers expressly disclaims any responsibility for the accuracy or completeness of the material contained in this document and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this document or any error or omission there from. Neither Buru Energy nor any other person accepts any responsibility to update any person regarding any inaccuracy, omission or change in information in this document or any other information made available to a person nor any obligation to furnish the person with any further information.

All dates in this document are for calendar years. All references to \$ are in Australian currency, unless stated otherwise.

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96. Origin: Appendix 8. Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

**BURU ENERGY LIMITED**

### ABN

71 130 651 437

### Quarter ended ("current quarter")

31 March 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	5,575	5,575
1.2 Payments for		
(a) exploration & evaluation	(2,115)	(2,115)
(b) development	(1,666)	(1,666)
(c) production	(2,292)	(2,292)
(d) staff costs	(674)	(674)
(e) administration and corporate costs	(383)	(383)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	408	408
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
<b>1.7 Net cash from / (used in) operating activities</b>	<b>(1,147)</b>	<b>(1,147)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(29)	(29)
(b) tenements (see item 10)	(720)	(720)
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(749)</b>	<b>(749)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of Alcoa liability	(500)	(500)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(500)</b>	<b>(500)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	64,009	64,009
4.2	Net cash from / (used in) operating activities (item 1.7 above)	(1,147)	(1,147)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(749)	(749)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(500)	(500)
4.5	Effect of movement in exchange rates on cash held	(96)	(96)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>61,517</b>	<b>61,517</b>

5. <b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	4,627	1,653
5.2 Term deposits	56,890	62,356
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>61,517</b>	<b>64,009</b>

6. <b>Payments to directors of the entity and their associates</b>	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	233
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

N/A

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities (Alcoa)	4,500	4,500
8.2 Credit standby arrangements	-	-
8.3 Other (Please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

**Alcoa Loan**

The Alcoa loan was reduced by an additional \$500,000 “accelerated capital repayment” calculated on Ungani crude sales for 2018 which was paid in the first week of January 2019.

The next instalment of \$2,500,000 will be payable on or before 31 December 2019 with the remainder of the loan due by the end of 2020.

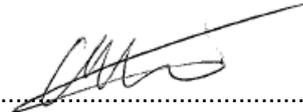
The loan remains unsecured, subject to an agreed interest rate of 5% and subject to annual accelerated capital repayments based on Buru Energy’s Ungani crude sales.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	(2,100)
9.2 Development	(6,400)
9.3 Production (Net cash inflows)	2,200
9.4 Staff costs	(600)
9.5 Administration and corporate costs	(500)
<b>9.6 Total estimated cash outflows</b>	<b>(7,400)</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced		Nil		
10.2 Interests in mining tenements and petroleum tenements acquired or increased		Nil		

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  ..... Date: 16 April 2019

Print name: Shane McDermott  
Chief Financial Officer & Company Secretary

**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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.