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## **ASX ANNOUNCEMENT (ASX: BRU)      27 January 2010**

### **Quarterly Activities Report & Quarterly Cash Flow Report**

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Please find attached Buru Energy Limited's quarterly activities report and the quarterly cash flow report (Appendix 5B) for the three months ending 31 December 2009.

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

**For inquiries please contact:**

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Yours faithfully

A handwritten signature in black ink, appearing to read "Eric Streitberg", written over a white background.

**ERIC STREITBERG**  
Executive Director

# Quarterly Report

Quarter Ended:  
31 December 2009



## Introduction

The directors of Buru Energy Limited ("Buru" or "the Company") are pleased to present this report for the quarter ended 31 December 2009.

## Overview

The key operational activities for the quarter were:

- the initial interpretation of the preliminary results of the Bunda 3D and Paradise 2D seismic surveys acquired in August and September 2009;
- the assessment and high grading of a variety of prospects for further evaluation prior to determining candidates for a drilling campaign of up to 6 wells to be undertaken in the 2010 field season;
- commencing the refurbishment of the Company's Fairway Drilling Rig for use in the 2010 drilling campaign; and
- commencing on-ground preparations for the 2010 drilling campaign.

Subsequent to the end of the quarter the Company entered into new arrangements with the joint venture parties in EP 438 and EP 448 resulting in a further rationalisation of the Company's Canning Basin permit interests.

## 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 \$1.2 million for the quarter, which includes some costs from the conduct of the Bunda 3D and Paradise 2D seismic surveys and costs of the preliminary interpretation of the data received from those surveys;
- expenditure for the purchase of fixed assets of \$463,143 for the quarter, mainly relating to the commencement of refurbishment of the Fairway Drilling Rig and purchase of associated equipment;
- limited interest income of \$16,298 was received in the quarter (September 2009: \$526,285) due to the timing of the roll over of the Company's long term cash deposits;
- oil production from the Blina and Sundown oil fields produced an operating surplus of \$272,774 for the quarter (September 2009: \$54,316); and
- administration and other operating costs of \$453,021, which reflect a lower number of one off abnormal costs than the previous quarter (September 2009: \$1.3 million) but a gradual increase in ongoing overhead costs as the Company prepares for the 2010 drilling campaign.

The costs of the Company's exploration activities and preparation for the 2010 drilling campaign were the largest contributors to a cash deficit of \$1.7 million (before exchange rate adjustments) for the quarter.

At the end of the quarter the Company had net cash reserves of \$45.8 million available for exploration and development of the Canning Basin (September 2009: \$47.5 million).

## Production and Development

The Company's oil production from the Blina and Sundown oil fields, contained within the L6 and L8 production licences, averaged approximately 80 bopd for the quarter. Production during the quarter was lower than the preceding quarter (September 2009: approximately 140 bopd) as a result of the fields being shut in during the passage of Severe Tropical Cyclone Laurence in late December 2009. Intermittent disruptions to production also occurred following the commencement of the wet season in late November 2009. Production is also subject to natural decline, although the Company continues to investigate ways to increase production from the Blina and Sundown oil fields. The feasibility of incorporating further workovers of existing wells and additional step-out and in-fill drilling as part of the Company's 2010 drilling campaign to arrest this natural production decline is being considered (as discussed below).

Oil production generated cash receipts during the quarter of \$662,345 (September 2009: \$1.2 million). Receipts during the quarter benefited from an increase in the oil price during the quarter partially offsetting lower production volumes. The Sundown and Blina oil fields produced an operating surplus of \$272,774 for the quarter (June 2009: \$374,173; September 2009: \$54,316). The fields remain profitable and continue to provide a material offset to Buru's ongoing administration costs.

## Exploration

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

- the initial interpretation of the preliminary results of the Bunda 3D and Paradise 2D seismic surveys acquired in August and September 2009; and
- the assessment and high grading of a variety of prospects for further evaluation prior to determining candidates for a planned 6 well drilling campaign to be undertaken in the 2010 field season;

### Interpretation of the Bunda 3D and Paradise 2D Seismic Surveys

The data acquired from the Bunda 3D seismic survey was processed during the quarter and various sets of preliminary data were received throughout the quarter. The preliminary final data set was received on 4 January 2010, following the end of the quarter. Initial indications of excellent data quality have been confirmed and final processing adjustments are currently underway. Interpretation of the data is ongoing with interpretation to date having identified a number of attractive drilling candidates and provided considerable insight into the hydrocarbon habitat of the area. The results of this evaluation will be incorporated into the Company's assessment of prospects for inclusion in the 2010 drilling campaign.

The data from the Paradise 2D seismic survey was received following processing during the quarter. The data has been integrated with the existing 2D seismic data acquired by ARC in 2007 in the area surrounding the Paradise structure. This data is currently being used to further delineate the Paradise prospect and assess the geological risks associated with the drilling of that prospect. Preliminary indications are that the Paradise structure is an attractive drilling target and a strong candidate for inclusion in the 2010 drilling campaign.

### Development of Candidates for Drilling

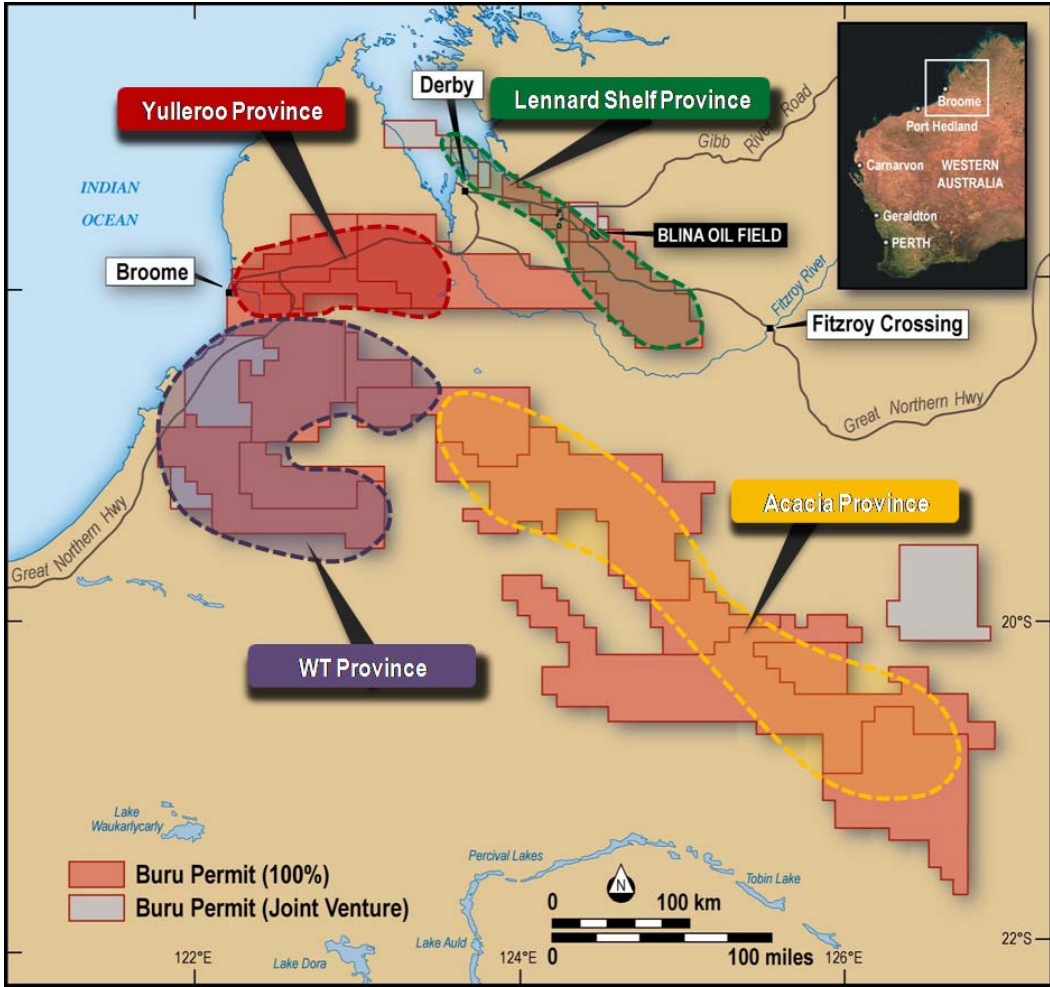
The Company has commenced preparations for its 2010 drilling campaign. Subject to confirmation of suitable prospects and the receipt of all necessary regulatory, joint venture and Traditional Owner approvals, the Company is currently planning a drilling campaign of up to 6 wells in the 2010 field season. In addition to the operational preparations described below, the Company is undertaking a process of assessing and high grading a variety of existing prospects as candidates for further technical, operational and economic evaluation. Based on this further technical evaluation a definitive set of candidates for drilling will be identified. It is expected that this technical evaluation process will be finalised in March or April 2010 and the final drilling candidates selected at that time.

The purpose of the 2010 drilling campaign is to test a variety of prospects covering the major hydrocarbon provinces in the Company's Canning Basin acreage in areas that have proven hydrocarbon systems, are technically robust and which have the potential for early monetisation. Prospects outside the Bunda 3D area must also have significant follow-up potential such that a discovery can form the basis of a major hydrocarbon province.

The current candidate prospect set includes the following:

- between one and three relatively shallow wells (1,200m – 1,800m) in the Lennard Shelf Province in parts of the L8 and EP129 permits covered by the Bunda 3D seismic survey, targeting modest to medium size oil accumulations with the potential for any discoveries to be quickly brought into production through the Company's existing production facilities at the Blina and Sundown oil fields;
- at least one deeper well (up to 2,500m) in the southern Lennard Shelf Province in the EP371 or EP428 permits covered by the Paradise 2D seismic (most likely the Paradise structure), targeting moderate to significant oil, gas and condensate accumulations;
- a follow-up (appraisal or exploration well) to the Pictor-1 oil, gas and condensate discovery in the Acacia Province;
- a well in the northern WT Province in the EP438 permit targeting moderately sized oil accumulations; and
- a well in the southern WT Province in Application Area 4/06-7 targeting moderately sized gas and condensate accumulations.

A map of the Company's current acreage position is set out below showing the location of the major hydrocarbon provinces in the Canning Basin referred to above.



## Drilling

The Company has commenced operational preparations for the 2010 drilling campaign based on a program of up to 6 wells. The main activities undertaken in the quarter were:

- commencing the refurbishment of the Company's Fairway Drilling Rig; and
- commencing on-ground preparations.

### Refurbishment of the Fairway Drilling Rig

The Company has undertaken a detailed assessment of the availability, costs and operational performance of a variety of drilling rigs. Based on this assessment the Company has decided to use its wholly owned Fairway Drilling Rig for the 2010 drilling campaign. The Fairway Drilling Rig has most recently been used to conduct workovers of ARC's Perth Basin oil fields and in the past has drilled exploration and production wells for a number of operators in the Perth Basin. By using a rig under its own control Buru has a high degree of operational flexibility which allows the Company to tailor the 2010 drilling campaign to meet its operational and commercial drivers and modify that campaign as required to meet changing circumstances, for example the ability to drill immediate follow-up wells in the case of a discovery (if warranted).

The Fairway Rig is being prepared for drilling in Geraldton in the mid-west of Western Australia in a process which includes third party inspections, repair and refurbishment of equipment, and the purchase of specific equipment for drilling purposes. This process will enable the Fairway Rig to safely and reliably drill wells to a depth of up to 2,500m. It is expected that the refurbishment process will be completed and the rig mobilised to the Canning Basin in early May 2010. The process is being overseen by the Company's Operations Manager and its recently hired Drilling Manager. Together with an experienced operational services supplier, the Company now has the personnel with the experience and incentives to conduct a safe, efficient and reliable drilling campaign.

### On-ground Preparations

During the quarter the Company undertook a scouting trip to the Canning Basin to identify potential well sites based on the proposed drilling campaign as described above. This included identifying access roads, availability of water and potential sites for drill camps. Ongoing work will be undertaken in conjunction with the technical evaluation of prospects to identify the most cost effective way to conduct on-ground activities.

The Company has also commenced negotiations with the Traditional Owners on whose lands the 2010 drilling campaign is likely to be conducted. Formal approvals will be required from the relevant Traditional Owners for each well. These negotiations are ongoing. In addition, initial work in preparation for seeking approval from the DMP for the drilling campaign has been commenced.

## Corporate

### Further Rationalisation of Canning Basin Acreage

The Company has been undertaking an ongoing process of rationalising its permit holdings in the Canning Basin to ensure that the Company's acreage covers only the most highly prospective parts of the Canning Basin and that the Company's future work commitments are sustainable from its existing resources. During the quarter the Company negotiated a further step in the rationalisation process with Empire Oil, Indigo Oil and United Orogen. As a result of these transactions the Company has relinquished its 5% interest in EP448 and been relieved of a \$3 million farm-in commitment on that permit, and will earn an additional 70% in EP 438 resulting in the Company having an interest of 75% in EP438. These transactions were announced on 15 January 2010 following the end of the quarter.

### Unmarketable Parcel Sale Facility

The Company initiated an unmarketable parcel sale facility during the quarter. This facility enables shareholders who hold less than \$500 worth of Buru shares to sell their shares without incurring brokerage or other transaction costs. The facility was closed following the end of the quarter. 3,315 small Buru shareholders holding a total of 3,530,682 shares took advantage of this facility to sell their shares. Prior to the facility, Buru had approximately 10,000 share holders. A reduction of 3,315 shareholders is expected to reduce the ongoing costs associated with administrating such a wide shareholder base.

## Executive Director's Comments

*"With the permit rationalisation process now close to completion, the last quarter has seen the Company's focus shift squarely to the 2010 drilling campaign.*

*We have spent the last few months looking at the preliminary results of the Paradise 2D and Bunda 3D seismic as it has become available, reviewing our inventory of prospects and leads, and examining the operational necessities associated with drilling in the Canning Basin. Based on that work we are nominating a 6 well campaign for the Canning Basin field season in 2010 and have committed to using our own rig to drill them. Although there is still a large amount of technical work to do, and a lot of approvals to receive, we are aiming to kick off the campaign in May.*

*Our focus between now and the commencement of the campaign is to have done all we possibly can technically, operationally and with Traditional Owners, the DMP and other stakeholders to give ourselves the best chance of drilling 6 wells and finding commercial quantities of oil and gas.*

*This is an exciting time for the Company, with lots going on. We will keep shareholders regularly updated as we move towards the commencement of the drilling campaign and our bid to Crack the Canning."*

*Eric Streitberg  
Executive Director*

## Glossary

Buru or the Company	Buru Energy Limited (ASX code: BRU)
2D	Two dimensional seismic survey
3D	Three dimensional seismic survey
ARC	ARC Energy Limited
bopd	Barrels of oil per day
DMP	Western Australian Department of Mines and Petroleum
Empire Oil	Empire Oil and Gas NL (ASX code: EGO)
Indigo Oil	Indigo Oil Pty Ltd
United Orogen	United Orogen Limited (ASX Code: UOG)

### **Buru Energy Limited**

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# Appendix 5B

## Mining exploration entity quarterly report

Name of entity

**BURU ENERGY LIMITED**

ABN

**71 130 651 437**

Quarter ended

**31 December 2009**

### Consolidated statement of cash flows

	Current quarter \$A	Year to date (6 months) \$A
<b>Cash flows related to operating activities</b>		
1.1 Receipts from:		
(a) product sales and related debtors	662,345	1,858,213
(b) other income	25,751	37,828
1.2 Payments for:		
(a) exploration and evaluation	(1,175,256)	(10,701,905)
(b) development	-	-
(c) production	(389,571)	(1,531,123)
(d) administration	(453,021)	(1,646,774)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	16,928	543,213
1.5 Interest and other costs of finance paid	(219)	(1,256)
1.6 Income taxes paid	-	-
1.7 Payments for restoration to existing producing assets	(38,280)	(58,765)
<b>Net operating cash flows</b>	<b>(1,351,323)</b>	<b>(11,500,569)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) fixed assets	(463,143)	(653,997)
1.9 Proceeds from sale of:		
(a) fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid from other entities	-	-
1.12 Other	-	-
<b>Net investing cash flows</b>	<b>(463,143)</b>	<b>(653,997)</b>
1.13 Total operating and investing cash flows	<b>(1,814,466)</b>	<b>(12,154,566)</b>
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from issues of ordinary shares, options, etc	609,500	609,500
1.15 Proceeds from issue of preference 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	(500,000)	(500,000)
<b>Net financing cash flows</b>	<b>109,500</b>	<b>109,500</b>

**Appendix 5B**  
**Mining exploration entity quarterly report**

	<b>Net increase (decrease) in cash held</b>	<b>(1,704,966)</b>	<b>(12,045,066)</b>
1.20	Cash at beginning of quarter/year to date	68,532,442	79,001,944
1.21	Exchange rate adjustments to item 1.20	(20,761)	(150,163)
	<b>Cash at end of quarter including cash held in escrow</b>	<b>66,806,715</b>	<b>66,806,715</b>
	Less cash held in escrow	(21,037,661)	(21,037,661)
1.22	<b>Cash at end of quarter</b>	<b>45,769,054</b>	<b>45,769,054</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		<b>Current quarter</b>
		<b>\$A</b>
1.23	Aggregate amount of payments to the parties included in item 1.2	188,255
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions



### 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 and Alcoa have agreed to escrow \$20,000,000 and interest thereon in partial satisfaction of Buru Energy's obligations to repay a \$40,000,000 gas prepayment made by Alcoa to ARC Energy Limited prior to the demerger of Buru Energy. These financial obligations crystallise if Buru Energy does not deliver gas under the gas sales agreement between Alcoa and Buru Energy 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 \$1,037,661 taking the total escrowed cash balance to \$21,037,661.

- 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	800,000
4.2 Development	-
<b>Total</b>	800,000

### 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	3,265,938	2,490,534
5.2 Deposits at call	42,500,000	45,000,000
5.3 Bank overdraft	-	-
5.4 Other (Share of joint venture cash)	3,116	4,247
<b>Total: cash at end of quarter (item 1.22)</b>	<b>45,769,054</b>	<b>47,494,781</b>
Cash held in escrow	21,037,661	21,037,661
<b>Total: cash at end of quarter including cash held in escrow</b>	<b>66,806,715</b>	<b>68,532,442</b>

**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		

<p>Subsequent to the end of the quarter, Buru Energy entered into agreement with the joint venture parties of the EP448 permit to relinquish its 5.00% interest. Further information is available on the ASX release dated 15 January 2010.</p>
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**Appendix 5B**  
**Mining exploration entity quarterly report**

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.*

	<b>Total number</b>	<b>Number quoted</b>	<b>Issue price per security</b>	<b>Amount paid up per security</b>
7.1 <b>+Preference securities</b> <i>(description)</i>	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 <b>+Ordinary securities</b>	182,769,728	180,119,728	N/A	N/A
7.4 Changes during quarter				
(a) Increases				
Issued shares	2,650,000 <sup>(c)</sup>	-	N/A	N/A
Options exercised	-	-	-	-
(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 <b>+Convertible debt securities</b>	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 <b>Options</b>			<b>Exercise price</b>	<b>Expiry date</b>
	55,176,975	55,176,975	\$0.94	10 Oct 2010
	5,320,000 <sup>(a)</sup>	-	\$0.30 <sup>(b)</sup>	31 Dec 2011 <sup>(b)</sup>
	5,000,000 <sup>(c)</sup>	-	\$0.25 <sup>(c)</sup>	31 Dec 2011 <sup>(c)</sup>
	5,000,000 <sup>(c)</sup>	-	\$0.30 <sup>(c)</sup>	31 Dec 2011 <sup>(c)</sup>
	<u>5,000,000<sup>(c)</sup></u>	-	\$0.35 <sup>(c)</sup>	31 Dec 2011 <sup>(c)</sup>
	75,496,975	<u>55,176,975</u>		
7.8 Issued during quarter			<b>Exercise price</b>	<b>Expiry date</b>
	5,000,000 <sup>(c)</sup>	-	\$0.25 <sup>(c)</sup>	31 Dec 2011 <sup>(c)</sup>
	5,000,000 <sup>(c)</sup>	-	\$0.30 <sup>(c)</sup>	31 Dec 2011 <sup>(c)</sup>
	<u>5,000,000<sup>(c)</sup></u>	-	\$0.35 <sup>(c)</sup>	31 Dec 2011 <sup>(c)</sup>
	15,000,000	-		
7.9 Exercised during quarter	-	-	-	-
7.10 Forfeited during quarter	(1,900,000)	-	-	-
7.11 <b>Debentures</b> <i>(totals only)</i>	N/A	N/A		
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	N/A	N/A		

(a) *Unlisted options issued under the D&E Options employee share scheme*

(b) *At the 2009 Annual General Meeting, shareholders approved the amendment of the D&E unlisted options from an exercise price of \$0.94 and expiry date of 27 August 2010 to an exercise price of \$0.30 and an expiry date of 31 December 2011*

(c) *At the 2009 Annual General Meeting, shareholders approved the issue of 2,650,000 new ordinary shares and 15,000,000 attaching unlisted options to Eric Streitberg for total consideration of \$609,500.*

**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 does give a true and fair view of the matters disclosed.



Sign here: .....  
Print name: **ERIC STREITBERG**  
(Executive Director)

Date: 27 January 2010

**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: Cash Flow Statements* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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.

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