

BURU ENERGY LTD (BRU)

Houston, We Have Liftoff!

Buru Energy Ltd ('BRU' or 'the Company') is nearing the completion of their Ungani Field Accelerated Development Programme ('UADP'). Subject to some weather delays, it would seem that the four well workover and drilling programme has been a success. The Company is now targeting an increase in production towards 3,000bopd over the coming two quarters. With this foundation now in place, the management team can focus on securing funding / a farm in for follow up exploration drilling along the Ungani Trend. This process is already well advanced with the Company also attending NAPE in Houston this week, one of the Oil industry's premier marketplaces for the buying, selling and trading of prospects and producing properties.

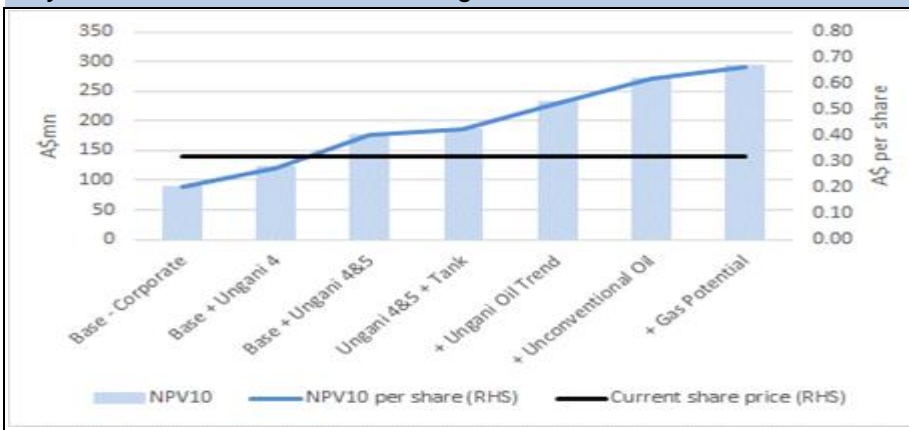
Ungani Accelerated Development Program, is just the start.

In our initiation report 'Beauty in Simplicity', (8/11/17) we outlined a number of potential catalysts over the next 12 months, starting with the UADP. This is expected to be followed up by securing support/funding for follow up oil exploration along the Ungani Trend. The potential for further exploration along the Ungani Trend has obviously been boosted by the successful development at Ungani. We believe that it is highly likely that further Ungani lookalike fields do exist, the challenge will be finding them given the relative lack of wells and large areal size of the play. Beyond that, further positives may materialise from progress on their gas portfolio opportunities (including appraisal by Mitsubishi in nearby permits) and their high leverage to oil prices.

Our 12-month forward valuation is A\$0.66 per share.

Our 12-month forward valuation and target price of A\$0.66ps (down 1c on slightly higher costs) has been based on a successful outcome of the UADP and our NPV10 assumptions for the Ungani Oil Field (3,000bopd peak production, 9.6mmbbl recoverable oil and a A\$100/bbl long run oil price). It also contains a heavily risked value for future oil potential along the Ungani Trend. We also include a value for the Goldwyer unconventional oil potential and Laurel Formation gas potential based on a peer value for similar early stage resource plays. On the basis of the upside to our target price and continued pipeline of catalysts we continue to rate BRU a **Speculative Buy**.

Key Chart: BRU Valuation – Ungani UADP success



Source: Hartleys Research.

Share Price:	\$0.29
12mth Price Target:	\$0.66

Brief Business Description:

BRU is an oil producer and explorer with a core focus on the Canning Basin. Key asset is the Ungani Oil Field.

Hartleys Brief Investment Conclusion

BRU generates cash flow from oil sales from the Ungani Oil Field with additional upside potential from further development. BRU has an extensive exploration acreage position.

Chairman & CEO:

Eric Streitberg Executive Chairman

Substantial Shareholders:

Birkdale Enterprises Pty Ltd	8%
Chemco Pty Ltd	8%
E C Streitberg	7%

Company Address:

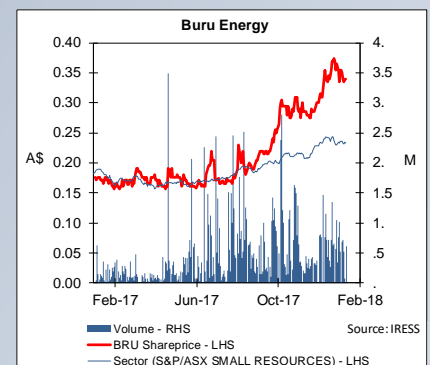
16 Ord Street
West Perth
WA 6872

Issued Capital:	432m
- fully diluted	437m
Market Cap:	\$125.3m
- fully diluted	\$126.6m
Debt (end CY17)	\$7.5m
Cash (end CY17)	\$16.9m

	FY16A	FY17F	FY18F
Prod ('000 bbl)	23	133	913
Op Cash Flw	-\$10m	\$1m	\$23m
Free Cash Flw	\$0m	-\$13m	\$5m
NPAT* (A\$m)	-\$14m	-\$7m	\$15m
EPS (\$c, bas)*	(3.3)	(1.5)	3.44
P/E (basic)*	-8.8x	-19.0x	8.4x
EV / EBIT	-8.9x	-11.6x	5.6x
EV / EBITDA	-12.7x	-19.1x	4.8x
N.D. / equity	-16%	-15%	-18%
Net Cash End	\$8.8m	\$9.2m	\$14.3m

*normalised

Source: Hartleys Research



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Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Buru Energy Limited, for which it has earned fees and continues to earn fees.

SUMMARY MODEL

Buru Energy Limited						Share Price		7 February 2018																					
BRU						\$0.290		Speculative Buy																					
Key Market Information						Directors						Company Information																	
Share Price						Eric Streitberg						Executive Chairman						Level 2											
Market Capitalisation						Eve Howell						NED						16 Ord Street											
Issued Capital						Robert Willes						NED						West Perth											
Issued Capital (fully diluted inc. ITM options)						Shane McDermott						Head of Finance & Company Secretary						WA 6872											
Options												www.buruenergy.com																	
EV																													
Net Debt																													
Valuation																													
12 Month Price Target \$ ps						0.66																							
P&L						Substantial Shareholders						Production Summary						Price Assumptions											
Unit						m shares						Unit						Unit											
2015A						Birkdale Enterprises Pty Ltd						Pre-16						2015A											
2016A						Chemco Pty Ltd						2016A						2016A											
2017F						E C Streitberg						2017F						2017F											
2018F												2018F						2018F											
2019F												2019F						2019F											
Net Revenue												Oil																	
COGS																													
EBITDAX																													
Depreciation/Amort																													
EBIT																													
Net Interest																													
Pre-Tax Profit																													
Tax Expense																													
NPAT																													
Abnormal Items																													
Reported Profit																													
Balance Sheet						Share Price Valuation (NAV)						Petroleum Tenements																	
2015A						A\$ m						Un-risked						Risking											
2016A						Ungani						198.0						100%						Risky					
2017F						Other Exploration						537.4						16%						85.3					
2018F						Gas Option						875.0						3%						21.9					
2019F						Net Debt & Corp.																		-16.0					
Cash						Valuation																		66					
Other Current Assets																													
Total Current Assets																													
Property, Plant & Equip.																													
Exploration																													
Investments/other																													
Tot Non-Curr. Assets																													
Total Assets																													
Payables																													
ST Debt + other																													
Total Curr. Liabilities																													
Long Term Borrowings																													
Other																													
Total Non-Curr. Liabil.																													
Total Liabilities																													
Net Assets																													
Cashflow						Permit						JV Partner						% Interest											
2015A						L6*												100%											
2016A						L8												100%											
2017F						L17												100%											
2018F						L20												100%											
2019F						L21												100%											
EBITDA						PL7												100%											
Chg WC						PL109												100%											
Interest						EP129*												100%											
Tax						EP391												100%											
Other						EP428												100%											
Gross Cash Flow						EP431												100%											
Capex						EP436												100%											
Other						EP457												100%											
Free Cash Flow						EP458												100%											
Share Issuance																													
Debt Issuance																													
Dividend																													
Other																													
Net Chang in Cash																													
Ratio Analysis						*Excluding Backreef Area																							
Unit																													
2015A																													
2016A																													
2017F																													
2018F																													
2019F																													
Free Cash Flow / share																													
Cashflow Multiple																													
Earnings Per Share																													
Price to Earnings Ratio																													
EV / EBIT																													
EV / EBITDA																													
Interest Cover																													
Net debt / Equity																													
Analyst : Aiden Bradley																													
Phone: +61 8 9268 2876																		Last updated February 7, 2018											
Sources: IRESS, Company Information, Hartleys Research																													

HIGHLIGHTS

BRU are nearing the completion of their Ungani Field Accelerated Development Programme ('UADP'). Subject to some weather delays, it would seem that the four well workover and drilling programme has been a success. The Company is now targeting an increase in production towards 3,000bopd over the coming two quarters.

With this foundation now in place, the management team can focus on securing funding / a farm in for follow up exploration drilling along the Ungani Trend. This process is already well advanced with the Company also attending NAPE in Houston this week, one of the Oil industry's premier marketplaces for the buying, selling and trading of prospects and producing properties.

<http://napeexpo.com>

Solid Foundation in Place:

The Ungani Field Accelerated Development Programme began with the successful installation and commissioning of ESPs in Ungani 1ST1 and Ungani 2. The wells have performed in line with expectations since the installation of the ESPs, and additional trucking capacity has progressively come on line to enable increases in production. As a result, oil production during the recent quarter was 83,870 bbls. Oil sales during the quarter were 54,981 bbls at a realised price of ~AUD\$76/bbl.

Fig. 1: Ungani Field Accelerated Development Programme

Activity	Timing	Expectation
Install artificial lift system in existing wells and upsize field facilities	October 2017	Maintain or increase target production to 1,500 bopd
Drill Ungani 4 development well	October / November 2017	Confirm or enhance current 2C resources base. Provide an additional drainage point with optimal completion of 1,000 bopd
Drill Ungani 5	November/ December 2017	Confirm ~3mmbbls of resources in the eastern fault block and provide additional drainage point
Install artificial lift in Ungani 4 and 5	Mid 2018	Maintain or enhance production rate at target of 3,000 bopd

Source: BRU

Ungani Phase 2 surface upgrades were completed to provide extra storage and processing capacity for the new wells. The current estimate for the final cost of the Ungani drilling program is \$11.5m which includes the drilling of the Ungani 4 and Ungani 5 development wells, flow testing operations for both wells and injectivity testing at Ungani 3. The original budget for the Ungani drilling program was \$9.5m which was based on a sidetrack of Ungani 3 and the Ungani 4 development well. The cost differential has been caused by several factors including the change in scope to Ungani 5 and equipment and weather-related delays.

The forward plan is to continue to build production and transport capacity to the target rate of 3,000 barrels of oil per day by early Q2 2018.

Q2 2017 - Production restart - 1,000 bopd

Q4 2017 - Install ESP's - Upgrade facilities - 1500 bopd

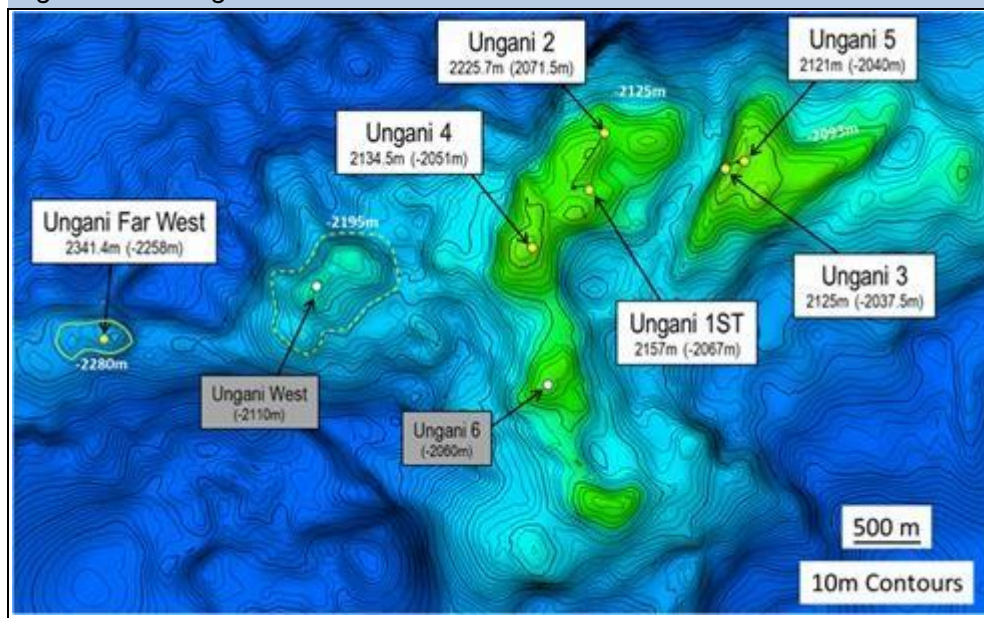
Q4 2017/Q1 2018 - Drill, complete and flow test Ungani 4/5

Q1 2018 - Hook up Ungani 4 - Phase 3 facility upgrade - Target 2,000 bopd

Q2 2018 - Flowline for Ungani 5 - Target 3,000 bopd

Cash at the end of the quarter was \$16.8m with the Company forecasting a cash outflow of \$10.3 million in the March 2018 quarter. However, production cash inflows are set to increase materially from 2Q18, in line with the substantial increase in production.

Fig. 2: Ungani Well Locations



Source: BRU

Ungani 4 Well Review:

The Ungani 4 well was drilled principally to provide an additional drainage point in the Ungani Oil Field with targeted production of 1,000bopd from this well. Ungani 4 reached a total depth of 2,249m and encountered a gross oil column in excess of 60m. This compares to an oil column of 58m at Ungani 1ST1 and 54m in Ungani 2. Drill cuttings and oil shows observed while drilling through the reservoir are consistent with the other producing wells in the field.

Given the positive results of the Ungani 4 well, construction of the flowline from Ungani 4 back to the production facility was undertaken to immediately put the well into production following its completion.

There has been a slight delay in bringing Ungani 4 into production. BRU were unable to obtain wireline logs of the well. While repairing the wireline unit the shale section above the reservoir seems to have become plugged (bridged-off). The equipment required to obtain logs and complete the well was not originally available on site. Following a period of exceptionally heavy rains during January causing the closure of roads in the area, the test program is now set to commence in late February.

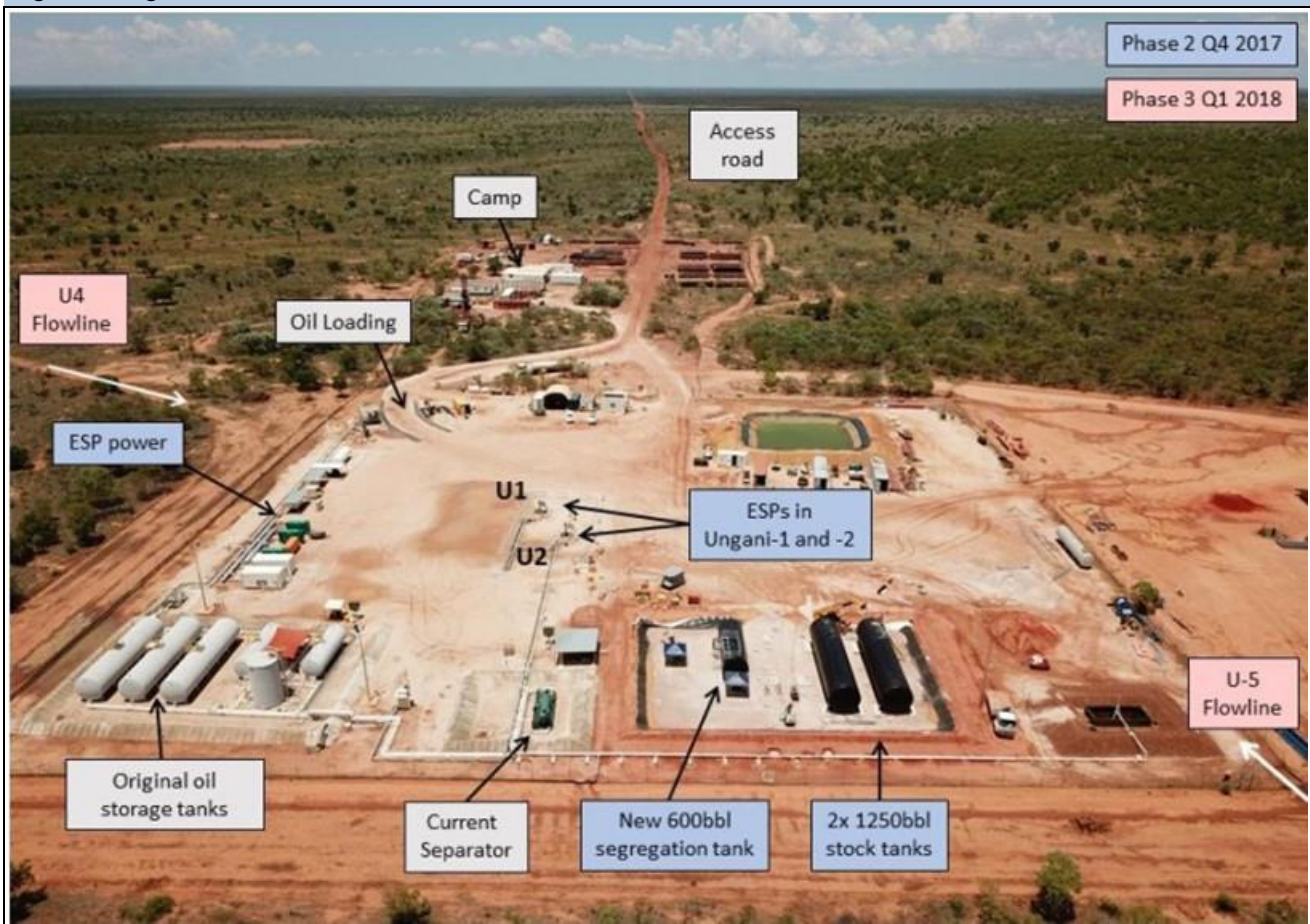
Ungani 5 well review:

The objective of Ungani 5 is to confirm circa 3mmbbls of resources in the eastern fault block and upon success potentially increase overall field production to 3,000bopd.

The top of the Ungani Dolomite was encountered as prognosed at 2,122.4 metres. The overlying Ungani Shale section was a similar thickness to other wells in the field in contrast to its anomalously thin section in Ungani 3.

Good to excellent oil shows were noted in cuttings samples from 2,122.4 metres to 2,215 metres measured depth.

Fig. 3: Ungani Production



Source: BRU

Valuation Impact

In our initiation note 'Beauty in Simplicity' (8th November 2018) we outlined a number of potential catalysts and potential milestones over the next 12 months that we expected to drive the current price up towards our target. These included;

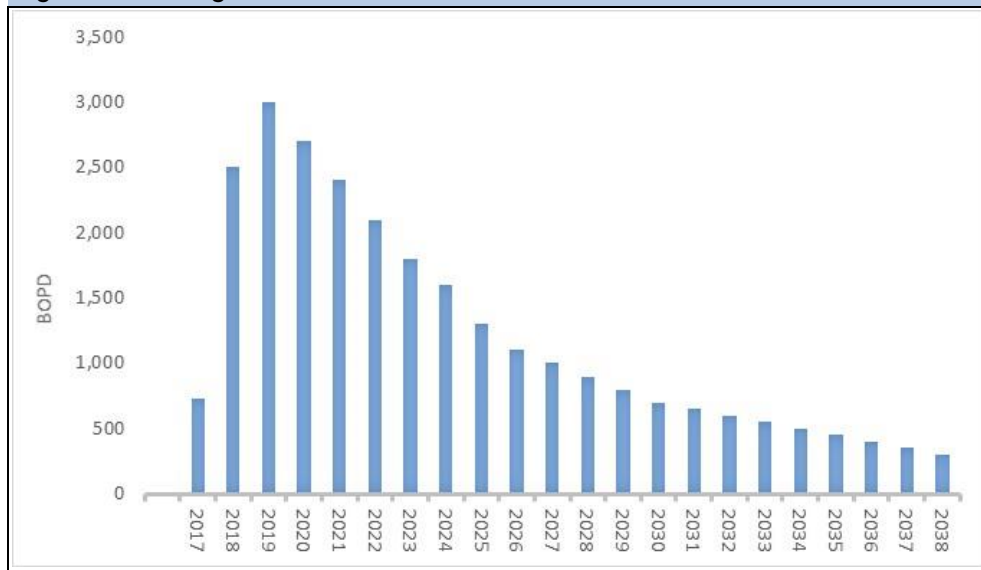
1. CY17: Ungani Accelerated Development Program.
2. CY18: Follow Up Oil Exploration.
3. CY18/19: Gas Appraisal by Mitsubishi.

And that BRU was also highly leveraged to rising oil prices.

Our 12-month forward valuation and target price assumed a successful result at Ungani 4 & 5 and our base case NPV10 for the Ungani Oil Field (3,000bopd peak production, 9.6mmbbl recoverable oil and a A\$100/bbl long run oil price). Post the

successful Accelerated Development Programme we have largely left this unchanged (a one cent downgrade on the back of a slightly higher budget).

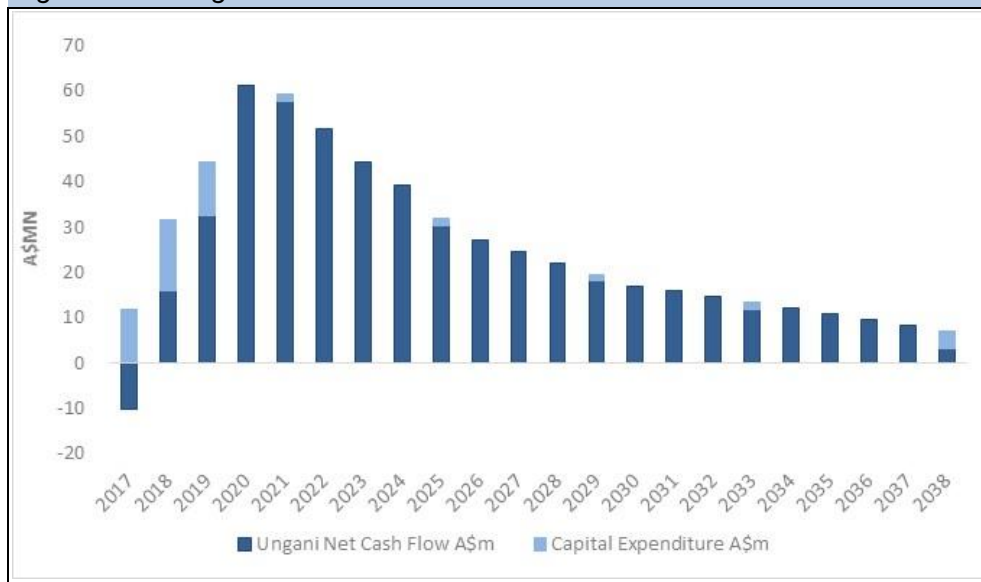
Fig. 4: Ungani Production



Source: Hartleys Research

Over the future life of the field we estimate that Ungani will generate close to \$400m of free cash flow after tax (and an NPV of roughly A\$21.15 per barrel) on the basis of our long run Brent price of US\$75/bbl (and an AUD/USD of 0.75c).

Fig. 5: Ungani Net Cash Flow



Source: Hartleys Research

Beyond the Ungani Field, our valuation also contains a heavily risked value for future oil potential along the Ungani Trend. We now expect management to focus on securing funding for this programme, principally by way of industry farm out.

We also include a value for the Goldwyer unconventional oil potential and Laurel Formation gas potential based on a peer value for similar early stage resource plays.

On the basis of the upside to our 12-month target price and pipeline of catalysts we rate BRU a Speculative Buy.

Fig. 6: BRU Prior (8th November) Valuation – Base Case

Share Price Valuation (NAV)				
A\$ m	Un-risked	Risking	Risked	cps
Ungani Uplift	105.0	100%	105.0	23.8
Ungani + 4&5	98.0	100%	98.0	22.2
Other Exploration	537.4	16%	85.3	19.4
Gas Option	875.0	3%	21.9	5.0
Net Debt & Corp.			-16.5	-3.8
Valuation				67

Source: Hartleys Research. Research note 'Beauty in Simplicity' (8th November 2018)

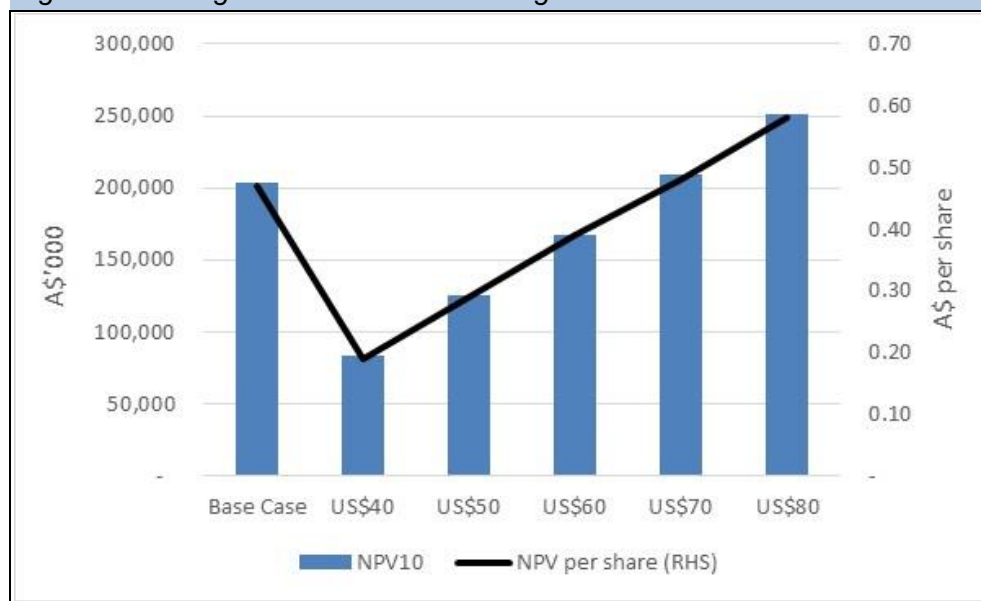
Fig. 7: BRU Prior (Current) Valuation – Base Case

Share Price Valuation (NAV)				
A\$ m	Un-risked	Risking	Risked	cps
Ungani	198.0	100%	198.0	44.9
Other Exploration	537.4	16%	85.3	19.4
Gas Option	875.0	3%	21.9	5.0
Net Debt & Corp.			-16.0	-3.6
Valuation				66

Source: Hartleys Research.

Oil Price Leverage: As a relatively fixed cost oil producer, BRU through its Ungani project has significant leverage to the oil price. Additionally, at higher oil prices the likelihood of funding future exploration would also increase as the appetite for further exploration in the Canning Basin will ebb and flow with prevailing international oil and domestic gas prices.

Fig. 8: Ungani NPV10 at Differing Oil Prices



Source: Hartleys Research

Timetable of Events / Catalysts:

- ✓ CY17: Ungani Accelerated Development Program
- 2: CY18: Ungani Trend Oil Exploration
- 3: Timing Uncertain: Unconventional Oil appraisal
- 4: CY18/19: Gas Appraisal

1: Ungani Accelerated Development Program (NEAR COMPLETE)

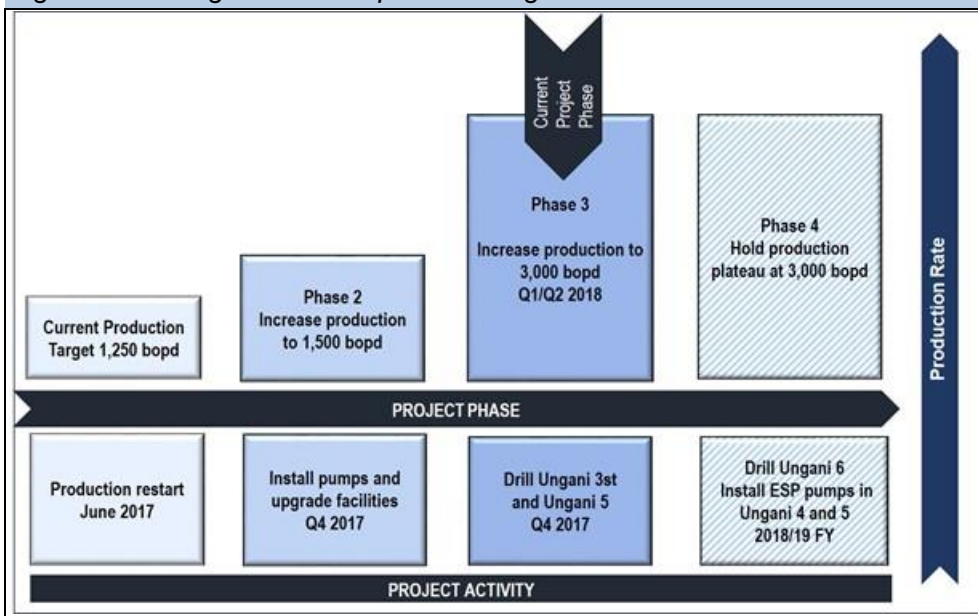
Overall the Ungani Accelerated Development Program has the potential to increase production to 3,000 bopd and provide a 50% uplift in the resource base. A successful Ungani resource upgrade could underpin the future development of a Broome export facility (cost estimate of at \$18m) that significantly increases the long-term oil production operating margin and supports future oil exploration activities.

Fig. 9: Ungani Contingent Resources

Ungani Oilfield Contingent Resources (100%WI, MMstb)			
	P90	P50	P10
Original in place	8.99	16.13	32.30
Estimated Ultimate Recovery (EUR)	2.70	7.26	19.41
Production to 26 January 2016	0.62	0.62	0.62
	1C	2C	3C
Contingent Resources	2.08	6.65	18.80

Source: BRU. Evaluation date 30 April 2016. Gaffney Cline and Associates (GCA) assessment of the Contingent Resources of the Ungani Oilfield undertaken on 30 April 2016.

Fig. 10: Ungani Development Stages

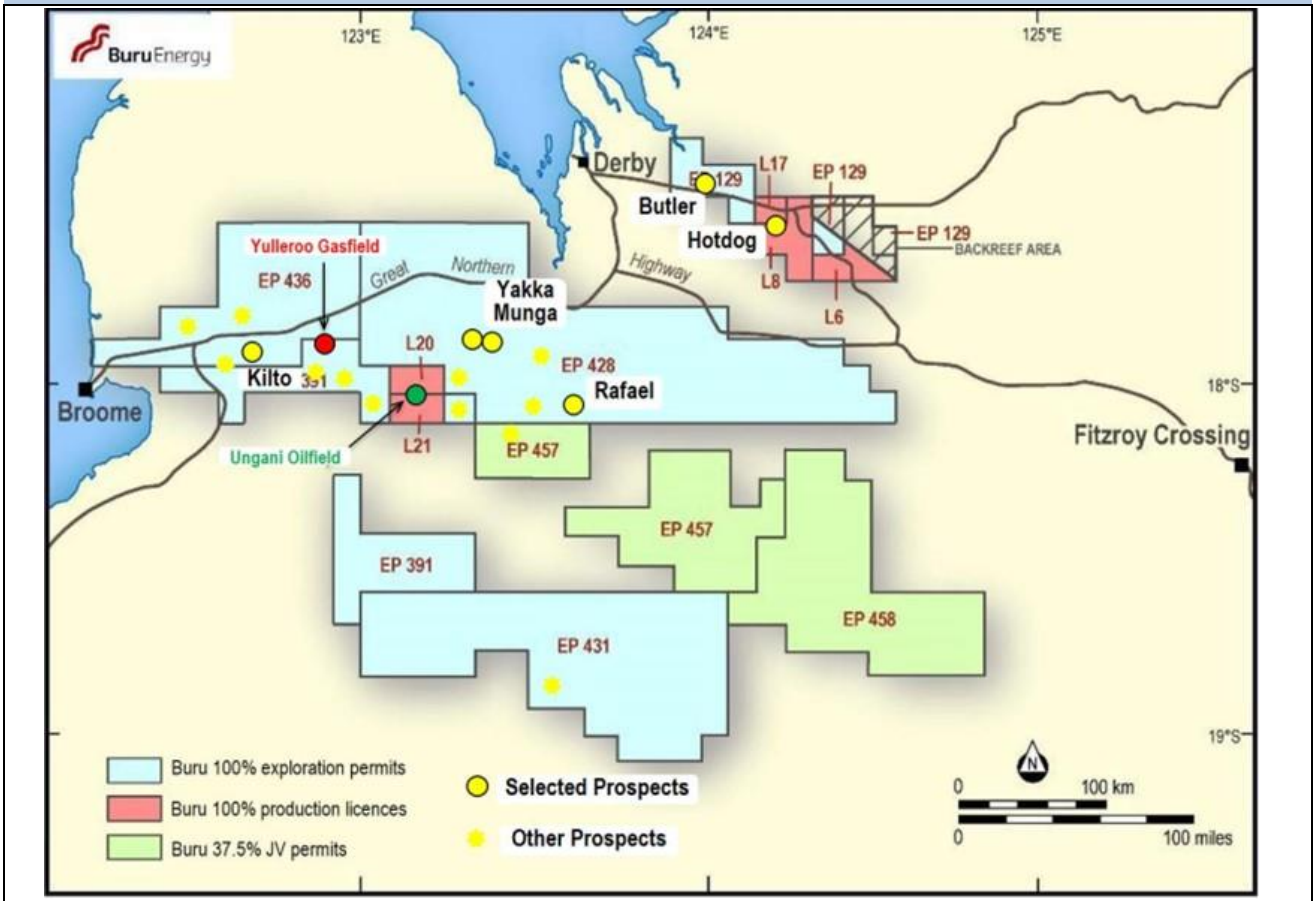


Source: BRU

2. CY18: Ungani Trend Oil Exploration

Attention will now focus on securing a farm in partner/funding for a multi well exploration drilling program of Ungani trend prospects in 2018.

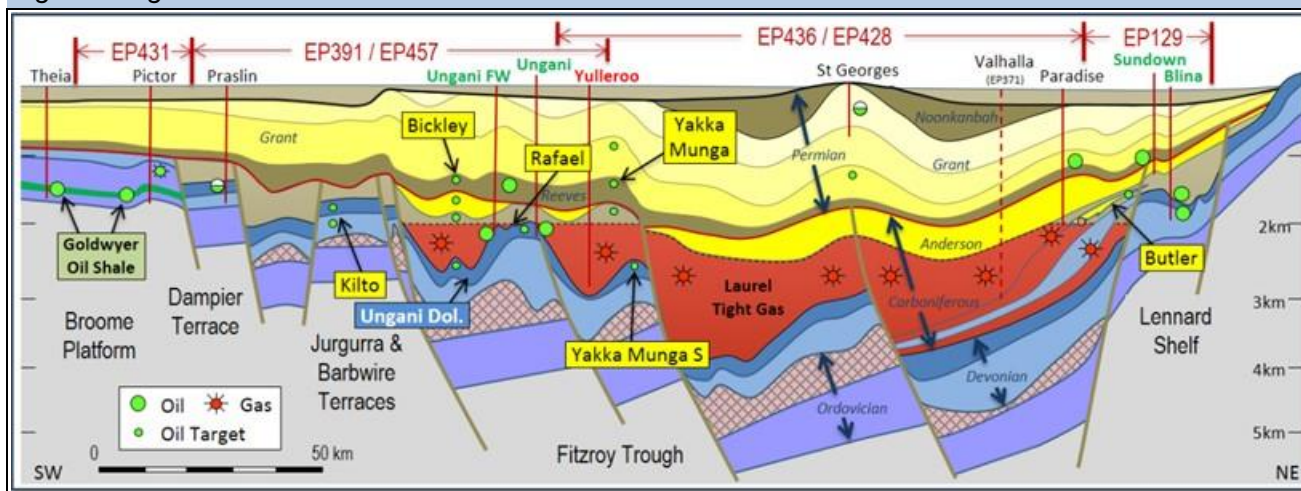
Fig. 11: BRU Exploration Prospects



Source: BRU

The potential for further exploration along the Ungani Trend has obviously been boosted by the successful development at Ungani (and potentially in the future from the proposed new export facilities that this development is now expected to support).

Fig. 12: Ungani Cross Section



Source: BRU

We believe that it is highly likely that further Ungani lookalike fields do exist, the challenge will be finding them given the relative lack of wells and large aerial size of the play.

Fig. 13: Ungani Development Stages

Prospective Resources - Refer Cautionary Statement				
Recoverable Resource	Unit	Low	Best	High
Rafael	mmbbls	36	75	138
Kilto	mmbbls	7	16	40
Yakka Munga	mmbbls	11	29	97
Hotdog	mmbbls	10	22	45
Butler Conv.	TCF	0.3	1.5	3.0
Butler tight gas	TCF	0.5	2.1	6.6

Source: BRU

3: Unconventional Oil appraisal (Timing Uncertain)

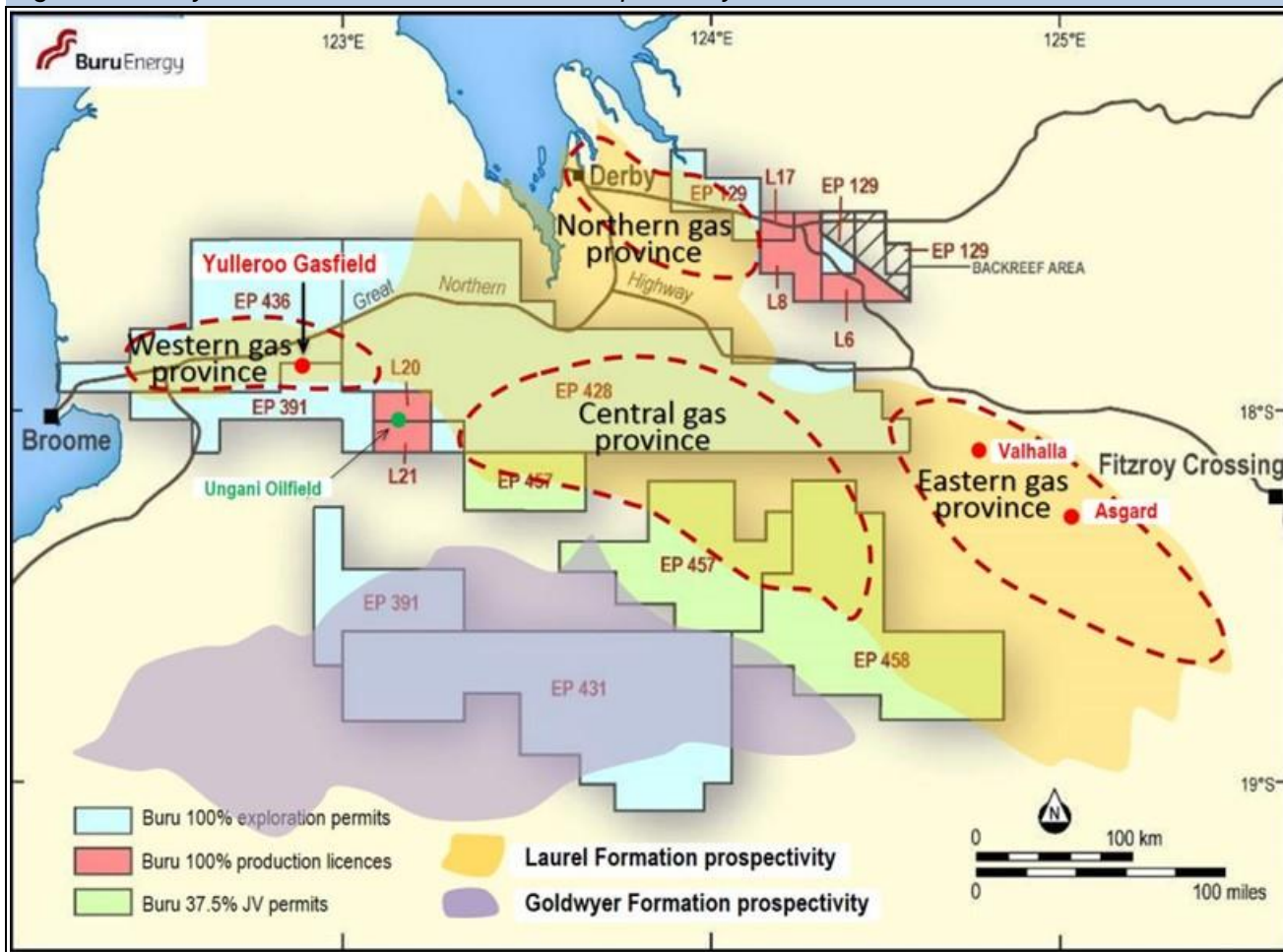
Finder Exploration's Theia-1 well in the Goldwyer Formation was very encouraging. Theia-1 was a test of the Middle Ordovician Goldwyer III liquids rich resource play and early assessment of the well results appear to validate the geological model and substantially de-risk the play. However, there is currently a moratorium on hydraulic fracturing in WA and the future of fracking in WA will be decided following an independent scientific inquiry, chaired by Environmental Protection Authority chairperson Tom Hatton. Hence the timing of further testing on Exploration Permit EP 493 by Finder is uncertain and similarly the knock-on impact this testing would have had on BRU's surrounding large acreage position.

4: CY18/19: Gas Appraisal

The appraisal of the Yulleroo gas resource is also subject to the timing of the WA fracking enquiry and is expected to be delayed until 2019/20. BRU has identified a world scale gas condensate resource base in the Laurel Formation in the Canning Basin and subsequent to the transaction with Mitsubishi, Buru Energy has a 100%

interest of the Yulleroo Gasfield and the gas resources in the other areas of the basin outside EP 371.

Fig. 14: Goldwyer and Laurel Formation Prospectivity



Source: BRU

Subsequent to the end of the quarter RISC Advisory Pty Ltd (RISC) completed an independent assessment of the tight gas and hydrocarbon liquid resources of the Yulleroo Field within exploration permits EP 391 and EP 436. RISC has estimated Contingent and Prospective Resource sales gas and associated liquids in the Yulleroo Field as at 1 December 2017 as follows:

The forward plan for the Yulleroo Field is not currently being progressed due to the WA Government fracking moratorium.

Fig. 15: Yulleroo Field Resources*

Contingent Resources Net to Buru	1C	2C	3C
Sales Gas (PJ)	321.4	714.0	1,267.0
Associated Liquids (MMbbls)	9.5	24.9	47.6
Prospective Resources Net to Buru	Low	Best	High
Sales Gas (PJ)	124.6	302.8	611.0
Associated Liquids (MMbbls)	4.3	11.9	24.8

Source: Hartleys Research.

**RISC's Contingent Resource and Prospective Resource assessment has been prepared using the probabilistic method and an evaluation date of 1 December 2017. Contingent Resources are quantities of petroleum estimates as of a given date to be potentially recoverable from known accumulations by application of development project(s) but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources. Prospective Resources are estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) that relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. The full resource statement is set out in accordance with ASX Listing Rules in Buru's ASX release of 18 January 2018. Buru Energy is not aware of any new information or data that materially affects the information included in the 18 January 2018 release and all material assumptions and technical parameters underpinning the estimates in that release continue to apply and have not materially changed.*

RECOMMENDATION, VALUATION & RISKS

INVESTMENT THESIS & RECOMMENDATION

Our 12-month forward valuation and target price of A\$0.66 per share is based on our base case NPV10 for the Ungani Oil Field (3,000bopd peak production, 9.6mmbbl recoverable oil and a A\$100/bbl long run oil price). It also contains a heavily risked value for future oil potential along the Ungani Trend. This prospective play will continue to be de-risked by continued success at Ungani and any positive outcome from BRU's intended farm out process.

We also include a value for the Goldwyer unconventional oil potential and Laurel Formation gas potential based on a peer value for similar early stage resource plays.

Fig. 16: BRU Valuation – Base Case

Share Price Valuation (NAV)				
A\$ m	Un-risked	Risking	Risked	cps
Ungani	198.0	100%	198.0	44.9
Other Exploration	537.4	16%	85.3	19.4
Gas Option	875.0	3%	21.9	5.0
Net Debt & Corp.			-16.0	-3.6
Valuation				66

Source: Hartleys Research

There remains a number of potential catalysts and potential milestones over the next 12 months that we expect to drive the current price up towards our target. These include;

- ✓ CY17: Ungani Accelerated Development Program
- 1. CY18: Follow Up Oil Exploration
- 2. Timing Uncertain: Unconventional Oil appraisal
- 3. CY18/19: Gas Appraisal

On the basis of the upside to our 12-month target price and pipeline of catalysts we rate BRU a Speculative Buy.

RISKS

BRU is an oil and gas exploration and production company exclusively focused on the Canning Basin. The asset swap with Mitsubishi has resulted in a more focused Company and freed it to pursue its own more simplified strategy, which began with the Ungani Accelerated Development Plan. The key risks for BRU (like most junior oil & gas companies) is a combination of exploration success and performance of the production assets (if any). Other risks are earnings disappointments given the industry is volatile and earnings can disappoint due to cost overruns, project delays, cost inflation, environmental regulations, resource estimate errors. Although some disappointments can be short term and are only a timing issue, other disappointments can be materially value destructive and can sometimes overhang stocks for a long period of time (for example over-estimating long-term flow rates). Such

disappointments can be very difficult to predict and share price reactions can be severe and immediate upon disclosure by the company.

High financial leverage (if it exists at that time) would add to the problem. Investing in explorers is very risky given the value of the company (exploration value) in essence assumes that the market will recognise a portion of potential value before the results of an exploration program are known, conscious that the ultimate chance of success is low (typically 1%-20%) and that failure is much more likely, in most cases.

Fig. 17: Key assumptions and risks for valuation

Assumption	Risk of not realising assumption	Risk to valuation if assumption is incorrect	Comment
Ungani Production, Reserves and Exploration Upside.	Moderate	High	We assume that Ungani production reached the Company target of 3,000bopd in CY19. This is reliant on a positive result at the Ungani 4 and Ungani 5 development wells. We also assume total recovery of just over 9.6mmbbl, which is at the top end of outcome range, so has some risk to the downside. While we feel (post Ungani drilling and recent rise in oil prices) that our exploration value is extremely conservative, it is reliant on securing a farm in partner / funding, so may not eventuate in a timely manner.
Tax Rate	Moderate	Low	While our assumptions on reserves are at the top end of expectations and our oil price also seems to be above consensus, we have been conservative in our treatment of tax for Ungani, and have only given BRU the benefit of a proportion of their available tax credits. Hence, our tax/Government take may be too high (especially at lower production/reserve and/or oil price scenarios)
Capital Commitments	Moderate	High	Drilling and completion costs have historically been very high in the Canning Basin. However, the current downturn in the oil price has resulted in a significant decline in service costs. Current estimates for Ungani 4 as an example are A\$4.7m for drill and completion (less than half what we estimate it would have cost at the peak of the last cycle). Going forward capital costs are likely to rise and fall with prevailing oil prices.
Oil Price and currency Forecasts	Moderate	High	From recent cyclical lows we had expected the Brent oil price to recover towards the top end of its current US\$40-60/bbl trading range before breaking out to a higher US\$60-75/bbl price band from FY19 as lower cost onshore US production peaks. So, prices in our opinion have obviously overshot in the near term, but the medium-term trend remains bullish and higher from recent year lows. The Ungani Oilfield and hence BRU is highly leveraged to the oil price. Our long run AUD / USD is US\$0.75. A rising AUD would impact BRU negatively as they have a significant proportion of their cost base in AUD.
Western Australian drilling legislation	Moderate	High	BRU is exclusively focused on the Canning Basin in Western Australia. Hence it is at risk from changes to Petroleum Legislation and Title issues in the Canning Basin itself. Fracture stimulation is currently not allowed in WA, until a Government led review is complete. This will directly impact BRU's ability to explore its Goldwyer Unconventional Oil and Laurel Formation Gas potential.

Conclusion

We believe our Ungani Field assumptions are achievable and have a moderate to high level of confidence in both our forward capex and macro assumptions

Source: Hartleys Research

SIMPLE S.W.O.T. TABLE

Strengths	<p>Extensive acreage position in the prospective Canning Basin.</p> <p>Growing production from the already discovered Ungani Oil Field.</p> <p>Experienced Management Team.</p> <p>Single Basin focus.</p> <p>Basin is relatively underexplored, providing a number of early stage prospective plays.</p>
Weaknesses	<p>Capital requirements, will likely need a partner to fully fund future oil and gas exploration.</p> <p>Company still has a small amount of debt to repay.</p> <p>Basin is relatively underexplored.</p>
Opportunities	<p>Leverage to rising oil prices.</p> <p>Large conventional oil targets on trend with Ungani discovery.</p> <p>Unconventional oil potential looks promising in the Goldwyer Formation.</p> <p>Laurel Formation unconventional gas play still looks prospective, likely to get free kick from work undertaken by former JV partner.</p> <p>Given quality of gas source rocks in the Basin, we expect commercial scale conventional gas fields to exist (but given the size of the basin they will be difficult to find).</p>
Threats	<p>Highly leveraged to international oil prices.</p> <p>Exposure to the USD / AUD exchange rate.</p> <p>Western Australian drilling legislation (e.g. fracture stimulation ban) and land access issues (e.g. Native Title issues).</p>

Source: Hartleys Research

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Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

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