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Indices and Prices	
All Ordinaries	6,372
Energy Index	11,199
Brent AU\$/bbl	\$ 100
AUS\$/US\$	\$ 0.716
Live Gold/AU\$	\$ 1,781

As at close 16 April 2019

## Buru Energy

**Recommendation:** *Buru is a speculative buy on the back of an active development and exploration drilling programme over the coming seven months.*

**Drilling through until December '19 holds potential for significant value and share price appreciation on success.**

**Buru Energy (BRU)** has outlined more details around its soon to commence Canning Basin dry season oilfield development and exploration drilling programme.

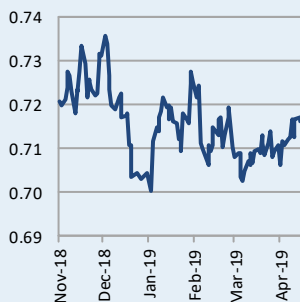


In early May, the company will commence drilling the first of two development wells that will address the Ungani dolomite reservoir in the vicinity of the Ungani-1 and 2 wells on the main block of the Ungani oilfield. Each of the two wells is scheduled to take about 21 days to drill sequentially so as to approach the top of the dolomite reservoir unit at an acute angle ahead of completion with a horizontal section across the top of the reservoir. The wells will then be cased and suspended in preparation for completing the wells with short horizontal sections through the reservoir unit. Once work is complete the drilling rig will move north east to drill the Yakka Munga wildcat well through July.

About mid-June, a coiled tubing unit employing a down-hole drill-bit motor and steering technology that is now in common use in North America, will be deployed to site to drill the final ~200-300 metres of horizontal section through the top of the Ungani dolomite on each well. Drilling will be undertaken at below reservoir pressure while Ungani crude could be used as a drilling fluid to reduce costs and avoid damaging the reservoir. While StockAnalysis estimates that drilling the horizontal sections may take 2-3 days per section, the entire set-up and testing process is likely to take about a week on each well. If all goes to plan, flow testing of Ungani-6 & 7 should be possible by August '19.

StockAnalysis estimates that each horizontal Ungani well should provide 5 to 8 times more contact with the reservoir than do the existing vertical wells. If the programme is

GOLD LIVE AU\$



ALL ORDINARIES



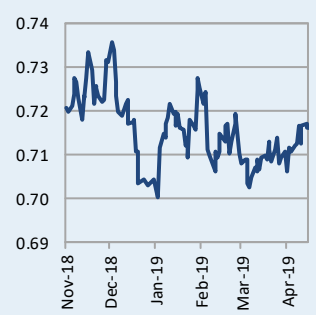
S&P ASX 200 ENERGY INDEX



BRENT CRUDE OIL \$AU/BARREL



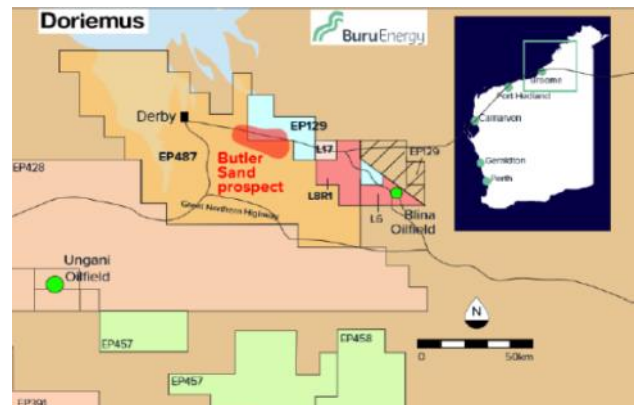
AU\$/US\$



successful, boosting total Ungani oil flow to ~3,000 BOPD would lift project revenue to ~A\$9 million per month and at the current oil price of ~A\$100 per barrel, could boost net income to Buru to about A\$26.5 million per annum.

Following work at Yakka Munga, the drill rig is scheduled to move to drill the deeper Rafael prospect in August or September. Success at the Reeves portion of the Yakka Munga prospect, which StockAnalysis estimates as a 29 mmbbl, stratigraphic oil target, would be worth 48 cps to Buru if oil has an insitu value of A\$16/bbl.

Success at Rafael, which has a target of 75 mmbbls of oil in the Ungani dolomite, would be worth \$1.25 per share to Buru on the same metrics.



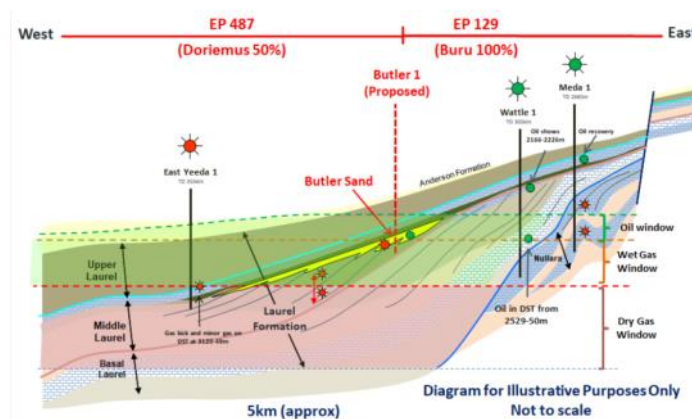
The big wildcard for 2019 is whether Doriemus will be able to find the \$13-\$15 million it needs to earn a 50% interest in EP-487 by funding drilling of a 3,000 metre deep well on the Butler prospect. If that funding is in place, Buru will sub-contract its rig to Doriemus for the purpose. The proposed Butler drill location sits about 1,900 metres off the Gibb River Road to Derby and is just the length of an Olympic swimming pool south of EP-487's northern boundary with EP-129. This location should be accessible late in the dry season through until December, if the season is normal. Doriemus would like to drill the well in September '19, which may be after Yakka Munga is drilled but either before or after Rafael is drilled.

Consultant ERC Equipoise Pte Ltd ("ERCE") is a globally recognised independent specialist resource assessment consulting group. The partners in EP-487 have joined with Buru to commission an independent report by ERCE on the Butler prospect, which straddles permit EP-487 and Buru's 100% held EP-129.

Reworking good quality but sparse 2D seismic data in the vicinity of the Butler Prospect reveals potential for generally improved reservoir quality in parts of the Laurel sedimentary sequence that have been derived from local, more recent sedimentary input. Seismic mapping by ERCE identifies potential for thick sections of reworked Laurel Formation where reservoir with good quality porosity and permeability could be encountered in locations where sediments in-fill an eroded top of underlying units. This potential reservoir, with thickness of up to 280 metres has been characterised as the "Butler Sand" and ERCE assigns a 16% probability of success to drilling.

A more extensive, Basin Centred Gas System (BCGS) in deeper tight Laurel sediments appears to have a total thickness of 1,700 metres, mostly below the Butler Sand, with a 77% probability of technical success. Commerciality of this tight gas would depend on its cost of extraction and value of gas marketed at that location.

ERCE's resource evaluation has been confined to sedimentary packages identified on individual seismic lines, but as the packages are potentially much more widely distributed and continuous, the Prospective Resources could be considerably larger than has been allowed by ERCE. An earlier study for Rey Resources (REY) found potential for 28 Tcf of P50 recoverable gas Resources in EP-487 alone.



ERCE estimates that the Butler Sand has potential to yield Mean Estimated Prospective Resources amounting to 3.14 Tcf of gas plus 42 mmbbls of associated condensate with an upside, 3C estimate of 6 Tcf of gas plus 88 mmbbls of condensate, with 60% of Resources estimated to sit within Buru's EP-129 permit.

The broader Laurel structure, which has been proven to host a Basin Centred Gas System in

other parts of the basin has also been estimated to hold potential to yield a Mean estimated Resource totalling 5.2 Tcf of gas plus 40 mmbbls of associated condensate with about 22.5% of the available resource estimated to sit within Buru's 100% held permits.

StockAnalysis estimates that if Buru could retain a 60% interest in EP-129 and if gas has an insitu value of 40 cents per GJ, a Butler Sand discovery would be worth \$1.42 per share to Buru.

Regional royalty holder **Fitzroy River** (FZR) also stands to benefit from the programmes scheduled. StockAnalysis estimates that adding 104 mmbbls of oil resources through work at Rafael and Yakka Munga has a value of over \$0.50 per share to Fitzroy, which holds a 2% royalty interest over the permits while success at the Butler Sand, over which Fitzroy holds a 3% royalty, would also be worth >\$0.50 per share to Fitzroy.

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