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ASX ANNOUNCEMENT (ASX: BRU) 7 June 2011

COMMENCEMENT OF DRILLING OPERATIONS VALHALLA-2

Buru Energy Limited (“**Buru**” or “**Company**”) advises that its 2011 drilling operations in the Canning Basin have commenced with the spud of the Valhalla-2 well at 12.00hrs, 6 June 2011 (AWST).

The Valhalla-2 well is the first well in the Buru – Mitsubishi Corporation (“**MC**”) 2011 Joint Exploration Program. Buru and MC each have a 50% interest in this well and in EP 371, with MC contributing 80% of the cost of the well under the terms of its farm-in agreement with Buru.

Valhalla-1 was drilled by ARC Energy in 2007 and encountered numerous good oil and gas shows but was not tested due to mechanical problems. Valhalla-2 has two conventional targets:

- the Upper and Lower Laurel gas reservoirs with the potential to hold ~60bcf of recoverable gas and 3mmbbls of condensate on a P50 basis; and
- the Anderson oil play – Valhalla-1 encountered an interpreted 5m oil column in the Anderson section which will be evaluated in Valhalla-2.

Valhalla-2 is also targeting the Lower Laurel unconventional gas reservoirs in the Valhalla closure that have the potential to hold ~260bcf of recoverable gas and 7mmbbls of condensate on a P50 basis

The well is being drilled by Ensign Rig #32. It is expected to take 35 days to drill on a dry hole basis.¹

The first drilling progress report for the well is attached. During the course of drilling operations, drilling progress reports will be provided to the ASX each Thursday and as required upon the occurrence of any material event. The Company expects to issue the next drilling progress report on 16 June 2011 unless a material event occurs in the interim.

Century Rig #7

Buru is also pleased to advise that a formal drilling contract for the use of Century Rig #7 has now been signed, allowing Buru to drill up to four additional wells in the Canning Superbasin during the 2011 field season. The use of the second drilling rig will provide Buru with the operational flexibility and required number of rig slots to complete its 2011 exploration program.

¹ *Drilling dates and times in this ASX release are indicative only. The timing of drilling operations is subject to weather and operational factors.*

A mobilisation date will be agreed with Century dependent on finalisation of final prospects to be drilled by Rig #7 and field preparations.

Further information on the Company is available at: www.buruenergy.com

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VALHALLA-2

PERMIT	The Valhalla-2 well is located in exploration permit EP 371. A map showing the location of the well is set out below.
WELL LOCATION	18° 04' 04.13"S 8001416mS 124° 46' 04.2"E 687100mE
BURU'S INTEREST	Buru Energy Limited holds a 50% interest in the well.
DATE OF PROGRESS REPORT	06:00hrs, 7 June 2011 (AWST)
PROPOSED TOTAL DEPTH	3,400m
CURRENT DEPTH	128m
PROGNOSED TIME TO TOTAL DEPTH	35 days
SPUD DATE	6 June 2011
DAYS SINCE SPUD	1 day
CURRENT TARGET FORMATION	The Valhalla-2 well has two conventional targets: <ul style="list-style-type: none"> the Upper and Lower Laurel gas reservoirs; and the Anderson oil play. Valhalla-2 is also targeting the Lower Laurel unconventional gas reservoirs.
OPERATIONS SINCE LAST PROGRESS REPORT	Drilling Operations commenced at 12:00 hours, 6 June 2011 (AWST)
HYDROCARBON INDICATIONS	None. (None predicted).
FORWARD OPERATIONS	The well is currently drilling ahead to the first casing point at 900 metres.

LOCATION MAP - VALHALLA-2

