

# Quarterly Report

Period ended 30 September 2015



ASX:BRU

The Directors of Buru Energy Limited (“Buru Energy”) are pleased to provide the report for the quarter ended 30 September 2015.

## Highlights

- Production Licence granted and commencement of Ungani production.
- Drilling and testing of the Praslin 1 exploration well
- Spudding of the Victory 1 exploration well
- Civil works completed at the Senagi 1 location with the well spudded following the end of the quarter
- Commencement of the Yakka Munga 3D seismic survey
- Commencement of the Laurel Formation Tight Gas Pilot Exploration Program (TGS15)
- Restructure of the Coastal Permits Farmin with a cash injection of \$4.9m
- Alcoa gas sales agreement restructured with the full \$22.4m cash released from escrow and repayment of the first tranche of \$15.0m.
- End of quarter cash balance of \$49.2 million

## Production and Development

### Ungani Oilfield

The joint venture received formal grant of the Production Licences for the Ungani Oilfield from the DMP on 6 July 2015, and on 16 July commercial oil production commenced at an initial average rate of 1,250 bopd. A total of 70,572 barrels were produced during the quarter. Two shipments totalling 59,364 bbls were made from Wyndham Port giving Joint Venture sales revenue of \$3.0 million (net to Buru Energy \$1.5 million).

On 16 September production at the Ungani Oilfield was temporarily shut-in while the trucking contractor for the transport of crude oil from the field to Wyndham Port investigated a truck rollover incident on the Great Northern Highway. At the same time, the joint venture's oil charter vessel underwent dry-dock repairs. The field was shut-in for four weeks whilst these matters were resolved. During the shut-in Ungani field staff were deployed into the Company's other extensive operations. The shut-in also allowed the acquisition of valuable pressure buildup data from the production wells. The structure of the Company's various contracts and the current low oil prices meant the shut-in did not have a material effect on the Company's cash position.

Production from the field re-commenced on 16 October after the contractor's investigation was completed and the proposed modifications to the trucking process had been reviewed by the joint venture. Initial production has been limited to approximately 800 barrels per day to fit with the current shipping schedule, with the next lifting due during November.

### **Blina and Sundown Oilfields**

The Blina and Sundown Oilfields remained shut-in during the quarter. Maintenance and well inspections were carried out together with continued rehabilitation operations.

## **Exploration**

The principal exploration activities during the quarter included:

- Drilling and testing of the Praslin 1 exploration well
- Spudding of the Victory 1 exploration well
- Commencement of the Yakka Munga 3D seismic survey
- Commencement of the Laurel Formation Tight Gas Pilot Exploration Program (TGS15)
- Civil works completed at the Senagi 1 location with the well spudded following the end of the quarter

### **Exploration drilling**

On 17 July the drilling program on the Ungani conventional oil exploration trend commenced with the spudding of the Praslin 1 well with Atlas Rig 2. Praslin 1 is located on exploration permit EP 391, 90kms east of Broome and 15kms west of Buru Energy's producing Ungani Oilfield. Buru Energy has a 50% equity and contributing interest in the Praslin 1 well and in EP391.

Praslin 1 was drilled to a total depth of 2,512 metres and interpretation of the wireline logs indicated the possible presence of an oil column which required testing to confirm. The testing program was commenced after a completion string was run in the well and swabbing operations recovered some 500 barrels of lost drilling fluid before recovering formation fluid similar to the formation fluid at Ungani, with no indications of moveable hydrocarbons. Fluid influx during swabbing suggested that the well has well developed porosity and permeability and a trial injection test was undertaken using the fluid that had been produced from the well. This confirmed that the well has an injection capability of at least 5,000 barrels per day of fluid. The well was suspended for further evaluation including use as a water injection point.

On 9 September the Victory 1 conventional exploration well was spudded in exploration permit EP 457, 185 kms east of Broome and 85 kms southeast of Buru Energy's producing Ungani Oilfield. The well is being drilled with Atlas Rig 2 and had a programmed maximum total depth of 2,600 metres. Buru Energy has a 37.50% equity and 41.67% contributing interest in the Victory 1 well and in EP457.

Victory 1 is targeting conventional oil and gas in the Ungani Dolomite and Laurel clastic reservoirs and potentially also in Devonian aged carbonates. The Victory prospect has similarities to Ungani although is potentially considerably larger, and has been defined by 2D seismic surveys and regional aerogravity surveys. Victory is one of a series of structures along the structural terraces to the east of Ungani. These structures provide both potential follow-up locations and additional stand-alone prospectivity to Victory.

The well has subsequently been drilled to the programmed total depth of 2,600 metres and wireline logs are being obtained. At a depth of 1,945 metres complete lost circulation was encountered with high and erratic drilling rates similar to those encountered in the Ungani Dolomite in other wells.

As planned, the drilling system was then switched to a managed pressure system but complete losses continued to total depth. The well will be evaluated with wireline logs and a production test will be carried out if warranted.

On 15 October, the Senagi 1 conventional exploration well was spudded on EP 458, 240 kms southeast of Broome and 144 kms southeast of Buru Energy's Ungani Oilfield. Senagi 1 is being drilled with the DDH1 Rig#31 and has a programmed maximum total depth of 1,200 metres. It is expected to take some 28 days to drill. The well is targeting conventional oil and gas in the Lower Laurel (Ungani Dolomite) and Devonian aged (Nullara) carbonates. Buru Energy has a 37.50% equity and 41.67% contributing interest in the Senagi 1 well and in EP458. At the time of this report the well was coring in the prognosed target formations.

## **Seismic**

Continued acquisition of seismic and aerogravity data is essential to the systematic exploration of the Canning Basin. The high quality 3D data acquired along the Yulleroo to Ungani trend is particularly important for the further exploration of Ungani style prospects. The acquisition of the 200 sq km Yakka Munga 3D seismic survey across the very large regional Yakka Munga high to the north of Ungani and over the Bickley trend to the east of Ungani was commenced on 10 October. This 3D survey is of similar size to the existing Ungani and Jackaroo 3D surveys and should provide technically robust drilling locations for the 2016 program.

The Yakka Munga 3D is being followed by 2D seismic acquisition over the Raphael prospect, a large, very attractive conventional gas prospect with an Ungani Dolomite reservoir target, and also over a number of other prospective areas.

## **Laurel Formation Tight Gas Pilot Exploration Program (TGS15)**

The TGS15 stimulation phase was completed during the quarter with the Condor Energy crew completing operations at the Asgard 1 and Valhalla North 1 wells as planned. All operations were carried out in accordance with all government and regulatory approvals and with continuous environmental, water and seismic monitoring. No effects of the operation on the environment have been observed by this monitoring program.

The Joint Venture is especially appreciative of the assistance of the Yungngnora (Noonkanbah) people, with up to 30 Yungngnora people directly involved in the operation, including providing access control, camp assistance, and assisting the Condor crew with materials handling and pressure pumping operations on site.

The production tubing is now being installed in the wells to allow clean-up and flowback operations to commence. Short term initial clean-up flows from the Asgard and Valhalla North wells were very encouraging with strong returns of stimulation water with accompanying gas flows and condensate slugs.

## Corporate

### Restructure of Coastal Permits Farmin

During the quarter Buru reached an agreement with Quadrant Energy Australia Limited (Quadrant) in relation to the Coastal Titles Farmin Agreement which was originally executed on 1 November 2013. Under the terms of the agreement, Quadrant has now withdrawn from the Coastal Permits (EP 390, 438, 471 and 473) and has paid the Buru Energy and Mitsubishi joint venture a gross sum of \$10 million (~\$4.9 million net to Buru Energy after adjustments), in fulfilment of its farmin obligations.

The terms of the original farmin agreement included a commitment by Quadrant (then Apache Energy) to fund a \$25 million exploration program on EP 390, 438, 471 and 473. Through the farmin, Quadrant earned a 50% interest in these permits and Buru Energy and Mitsubishi each then held a 25% equity interest. Subsequent to the withdrawal of Quadrant, Buru and Mitsubishi are the only holders of the Coastal Permits.

The Coastal Permits are located primarily on the geological feature known as the Broome Platform with the Goldwyer Shale petroleum system being the principal exploration objective. Neither the Ungani trend nor the Laurel Formation tight gas accumulation is present on these permits.

### Alcoa gas sales contract

In July, Buru Energy and Alcoa agreed to terminate the gas sales agreement and to a staged repayment of the gas prepayment funding. Under the revised agreement the termination of the contract led to the withdrawal of the total escrowed cash balance of ~\$22.4 million and the repayment of the gas prepayment under the following terms:

- (a) \$15 million has been paid to Alcoa during August from the withdrawn ~\$22.4 million of funds in the escrow account. The remaining funds from the escrow account are being used to pay for Buru Energy's share of the TGS15 tight gas exploration program;
- (b) \$12.5 million is to be paid on 30 June 2017; and
- (c) \$12.5 million is to be paid on 30 June 2018, subject to certain financial criteria being met from December 2017.

Buru Energy and Alcoa will continue their relationship in regard to gas supply, and Alcoa will retain a right to purchase up to 100PJ of gas at market related pricing and terms subject to Buru Energy undertaking a gas development that delivers gas into the Dampier to Bunbury Natural Gas Pipeline.

## Financial

The ASX Appendix 5B attached to this report contains the Company's cash flow statement for the quarter ended 30 September 2015. The material elements of the cash flow in the period were:

- Exploration cash outflows of \$2.9m for the quarter (September 2015: \$0.4m), comprised primarily of costs associated with the drilling of Praslin 1, and commencement of the Victory 1 well and the TGS stimulation phase. Exploration expenditure during the quarter was offset by R&D tax credits and JV cash calls received in advance.
- Ungani development expenditure of \$0.1m for the quarter (September 2015: \$0.7m), the majority of costs associated with Ungani production facility engineering and upgrades were fully carried by Mitsubishi.
- Ungani production operating expenditure of \$1.0m for the quarter (September 2015: \$0.4m) were offset by crude sale receipts of \$0.7m during the quarter from one shipment (September 2015 Nil).

- Corporate and administration costs of \$1.4m for the quarter (September 2015 \$1.1m), continue to reflect the effects of cost management measures in reducing the overheads in the business.
- A cash inflow of \$4.9m was recorded during the quarter from the withdrawal of Quadrant from the Coastal Permits.
- The cash outflow for the part repayment of the Alcoa gas prepayment of \$15.0m was offset by the cash inflow of \$22.4m being the withdrawal of all cash held in escrow.

The Company recorded a net cash inflow of \$7.4m for the quarter (September 2015 net cash outflow \$1.7m) and at the end of the quarter had cash reserves of \$49.2m.

The Company is forecasting the following cash outflows in the December 2015 quarter:

- **Exploration:** \$19.0m - Exploration costs are estimated to include Buru Energy's share of drilling, TGS and seismic surveys as set out above, as well as ongoing geological and geophysical costs.
- **Development:** Nil – Any costs associated with the Ungani development, including the drilling of the Ungani FW 1 well, are expected to be fully carried by Mitsubishi.
- **Production:** Nil - Production costs for the Ungani Oilfield are estimated to be fully offset by cash receipts from production.
- **Corporate and administration** - \$2.0m is estimated to be payable in the December 2015 quarter, consistent with the previous quarters.

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

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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. Its flagship high quality conventional Ungani oilfield project is owned in 50/50 joint venture with Mitsubishi Corporation. As well as Ungani, the Company's portfolio includes 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.

## Competent Persons Statement

Information in this release related to exploration and production results and petroleum resources is based on information compiled by Eric Streitberg who is the Executive Chairman 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 38 years of relevant experience. Mr Streitberg consents to the inclusion of the information in this report.

## Schedule of interests in permits as at 30 September 2015

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
EP129	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP371	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP390	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP391	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP428	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP431	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP436	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP438	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP457	Exploration permit	37.50%	Buru Fitzroy Pty Ltd	Canning Basin, WA
EP458	Exploration permit	37.50%	Buru Fitzroy Pty Ltd	Canning Basin, WA
EP471	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP472	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP473	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP476	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP477	Exploration permit	50.00%	Buru Energy (Acacia) Pty Ltd	Canning Basin, WA
EP478	Exploration permit	50.00%	Buru Energy (Acacia) Pty Ltd	Canning Basin, WA
PL7	Onshore pipeline licence	100.00%	Buru Energy Ltd	Canning Basin, WA

## Glossary

2D	Two Dimensional
3D	Three Dimensional
bbls	Barrels of oil
bopd	Barrels of oil per day
Buru Energy or the Company	Buru Energy Limited (ASX code: BRU)
DMP	Western Australian Department of Mines and Petroleum
TGS	Laurel Formation Tight Gas Pilot Exploration Program
Mitsubishi or MC	Mitsubishi Corporation
Quadrant	Quadrant Energy Australia Limited

## Appendix 5B

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

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 1/6/10, 17/12/10, 1/5/13

Name of entity

**BURU ENERGY LIMITED**

ABN

71 130 651 437

Quarter ended ("current quarter")

30 September 2015

#### Consolidated statement of cash flows

	Current quarter \$A ('000)	Year to date (9 months) \$A ('000)
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	713	2,831
1.2 Payments for (a) exploration & evaluation	(2,911)	(10,089)
(b) development	(74)	(2,088)
(c) production	(978)	(3,672)
(d) administration	(1,376)	(4,196)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	265	941
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – pastoral station activities	(633)	(289)
<b>Net operating cash flows</b>	<b>(4,994)</b>	<b>(16,562)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) fixed assets	-	(65)
(b) pastoral station	-	(6,550)
1.9 Proceeds from sale of:		
(a) fixed assets	-	-
1.10 Proceeds from Quadrant withdrawal from Coastal Permits	4,988	4,988
1.11 Part repayment of Alcoa gas prepayment	(15,000)	(15,000)
1.12 Withdrawal of cash held in escrow	22,402	22,402
<b>Net investing cash flows</b>	<b>12,390</b>	<b>5,775</b>
1.13 Total operating and investing cash flows (carried forward)	7,396	(10,787)

## Appendix 5B

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

1.13	Total operating and investing cash flows (brought forward)	7,396	(10,787)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of loan	-	-
1.18	Dividends paid	-	-
1.19	Loan pursuant to the employee share acquisition scheme	-	-
<b>Net financing cash flows</b>		-	-
<b>Net increase (decrease) in cash held</b>		<b>7,396</b>	<b>(10,787)</b>
1.20	Cash at beginning of quarter/year to date	41,856	59,894
1.21	Exchange rate adjustments to item 1.20	18	163
<b>Cash at end of quarter</b>		<b>49,270</b>	<b>49,270</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

		Current quarter \$A
1.23	Aggregate amount of payments to the parties included in item 1.2	231,592
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
N/A		

### 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
<p>Buru Energy Ltd (“Buru Energy”) and Alcoa of Australia Ltd (“Alcoa”) previously 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. The agreement was terminated in July 2015 and this has led to the withdrawal of the total escrowed cash balance of ~\$22.4 million and the repayment of the gas prepayment under the following terms:</p> <ol style="list-style-type: none"> <li>\$15 million paid on 4 August 2015 from the withdrawn ~\$22.4 million of funds in the escrow account. The remaining funds from the escrow account (~\$7.4 million) is being used to pay for Buru Energy’s share of the TGS15 tight gas exploration program;</li> <li>\$12.5 million to be paid on 30 June 2017; and</li> <li>\$12.5 million to be paid on 30 June 2018, subject to certain financial criteria being met from December 2017.</li> </ol>	



**Appendix 5B**

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

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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 ('000)
4.1	Exploration and evaluation	(19,000)
4.2	Development (net of JV carried expenditure)	-
4.3	Production (net of production inflows)	-
4.4	Administration	(2,000)
	<b>Total</b>	<b>(21,000)</b>

**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 ('000)	Previous quarter \$A ('000)
5.1 Cash on hand and at bank	15,378	8,196
5.2 Deposits at call	33,892	33,660
5.3 Bank overdraft	-	-
<b>Total: cash at end of quarter</b>	<b>49,270</b>	<b>41,856</b>

## Appendix 5B

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

#### Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	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	No change in interest		
6.2	Interests in mining tenements acquired or increased	EP390 EP438 EP471 EP473 Buru increased its beneficial interest in these permits following the withdrawal of Quadrant Energy Australia Limited as announced to the ASX on 23 September 2015.	25.00%	50.00%

#### 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.

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1	N/A	N/A	N/A	N/A
7.2				
7.3	339,997,078	339,997,078	N/A	N/A
7.4				
7.5	N/A	N/A	N/A	N/A
7.6				
7.7	5,400,000 5,150,000 <u>10,550,000</u>	-	<i>Exercise price</i> \$1.12 \$0.80	<i>Expiry date</i> 31 Dec 2016 31 Dec 2017
7.8	-	-	-	-
7.9	-	-	-	-
7.10	-	-	-	-
7.11	N/A	N/A		
7.12	N/A	N/A		

### **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 5).
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



..... Date: 30 October 2015

Shane McDermott

General Manager Finance and 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 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 and petroleum 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 or petroleum 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 are 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: Statement of Cash Flows* applies to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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.