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ASX ANNOUNCEMENT (ASX: BRU) 28 July 2010

Quarterly Activities Report & Quarterly Cash Flow Report

Please find attached Buru Energy Limited's quarterly activities report and the quarterly cash flow report (Appendix 5B) for the three months ended 30 June 2010.

Further information on the company is available on the Buru website at: www.buruenergy.com

For inquiries please contact:

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Yours faithfully

ERIC STREITBERG
Executive Director

Quarterly Report

Quarter Ended:
30 June 2010

Introduction

The directors of Buru are pleased to present this report for the quarter ended 30 June 2010. This quarter saw the Company achieve a number of significant milestones, in particular the commencement of drilling operations in the Canning Superbasin and the execution of a farm-in agreement which will see Mitsubishi Corporation ("**MC**") spend up to $152.4 million to earn an equal interest in the majority of the Company's permits.

Overview

The key operational activities for the quarter were:

- the successful completion of the refurbishment of the Fairway Rig and mobilisation of the Rig to the first drilling location in the Canning Superbasin;
- the drilling of the Fairwell-1 well using the Fairway Rig which, whilst operationally successful, failed to find commercial hydrocarbons;
- the ongoing preparation of well sites and the seeking of regulatory and Traditional Owner approvals for the Leander-1 and Paradise-1 wells and the most likely candidates for drilling during the balance of the 2010 field season; and
- the engagement of Terrex Seismic to conduct the Yulleroo South and Pijalinga 2D seismic surveys during the 2010 field season.

Subsequent to the end of the quarter the Company commenced drilling operations at the Leander-1 well, on a structure with the potential to hold approximately 1 million barrels of oil on a P50 basis, if hydrocarbons are present.

The key corporate activity for the quarter was the execution of a binding farm-in agreement with MC. Under this agreement MC has the right to earn an equal interest to Buru in the majority of Buru's exploration permits by spending up to $152.4 million on exploration and development in the Canning Superbasin. MC also has the right to acquire a 50% interest in Buru's production permits in exchange for an additional cash payment.

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 $3,034,010 for the quarter, the majority of which are the costs associated with drilling the Fairwell-1 well, but also includes the ongoing assessment of prospects as candidates for drilling during the balance of the 2010 field season and the ongoing assessment of the shale and tight gas potential of the Company's permits;
- expenditure for the purchase of fixed assets of $489,904 for the quarter, mainly relating to the finalisation of the refurbishment of the Fairway Rig;
- interest income of $1,110,346 was received in the quarter on the maturation of a number of the Company's long term cash deposits;

- oil production from the Blina and Sundown oil fields produced an operating surplus of $203,340 for the quarter, substantially above the previous quarter (March 2010: $44,396) as a result of the fields returning to higher production levels following intermittent shut-ins and other disruptions to production caused by the wet season which impacted production in the preceding quarter; and

- administration and other operating costs of $502,142, somewhat lower than the previous quarter which included a number of one-off costs (March 2010: $746,277), but reflecting a gradual increase in overhead costs over the financial year as the Company puts in place the organisational structures to effectively conduct the 2010 seismic and drilling campaigns and plan for the 2011 field season.

The Company recorded a net cash outflow of $2.7 million (before exchange rate adjustments) for the quarter, a significant increase on the previous quarter (March 2010: $1.9 million) as a result of the commencement of drilling operations.

At the end of the quarter the Company had net cash reserves of $40.7 million available for exploration and development of the Canning Superbasin (March 2010: $43.9 million). This, in conjunction with MC's contribution to the Company's exploration activities on an ongoing basis, provides the Company with ample financial resources to fund its ongoing exploration activities.

The Company is forecasting the following cash flows in the September 2010 quarter:

- **Exploration** - $6.3 million of costs are expected to be payable in the September 2010 quarter, a significant increase over this quarter reflecting the expected costs of drilling the Leander-1 and Paradise-1 exploration wells and the acquisition of the Yulleroo South and Pijalinga 2D seismic surveys.

- **Development** - $0.5 million in development costs are expected to be payable in the September 2010 quarter. These are the costs associated with the proposed workover program at the Company's Sundown oil field (as discussed below). In addition, in the event of a commercial discovery at Leander-1 or Paradise-1 it is expected that preliminary development work would commence immediately.

- **Production** – a $0.8 million cash outflow is expected in the September 2010 quarter. This is a significant increase on the previous quarter due to annual fees to the DMP and local councils becoming payable during the September 2010 quarter. Cash inflows in the September 2010 quarter are expected to be $0.6 million, leading to a forecast net cash flow for Buru's production activities during the quarter of $0.2 million. Over the 2010/11 financial year the Company expects its production activities to be net cash flow positive, in particular if the proposed workover program at the Sundown oil field is successfully completed (as discussed below).

- **Administration** - $0.6 million in administration costs are expected to be payable in the September 2010 quarter, a modest increase over this quarter reflecting the cost associated with managing the Company's increased exploration activity.

Production and Development

Sales from the Company's Blina and Sundown oil fields, in the L6 and L8 production licences, averaged approximately 75 bopd for the quarter. Sales during the quarter were above the previous quarter (March 2010: approximately 68 bopd) as a result of production levels being increased following intermittent shut-ins and other disruptions to production caused by the wet season.

The Company is now well advanced in planning a program to arrest the natural decline evident at the Sundown oil field. It is currently expected that the Fairway Rig will be utilised for a period of approximately 10 days following the drilling of the Leander-1 well to conduct workovers of 2 wells in the Sundown oil field, to be followed by further production optimisation work which can be undertaken without the use of the Fairway Rig. If successful, this program is expected to result in a material increase in production from the Sundown oil field.

Oil production generated cash receipts during the quarter of $700,617 (December 2009: $662,345; March 2010: $555,959). The increase in cash generated by the Blina and Sundown oil fields is a result of both the increase in production from the previous quarter and the AUD equivalent of the realised price per barrel increasing from the previous quarter. The fields produced a net cash inflow of $203,340 for the quarter (December 2009: $272,774; March 2010: $44,396). . For the 12 months to 30 June 2010 the fields produced a net cash inflow of $637,140.

Drilling

During the quarter the Company completed the refurbishment of its Fairway Rig and commenced its 2010 drilling campaign with the drilling of the Fairwell-1 well, the first of up to six wells proposed to be drilled during the 2010 field season. Subsequent to the end of the quarter the Company commenced drilling operations at the Leander-1 well.

Refurbishment of the Fairway Rig

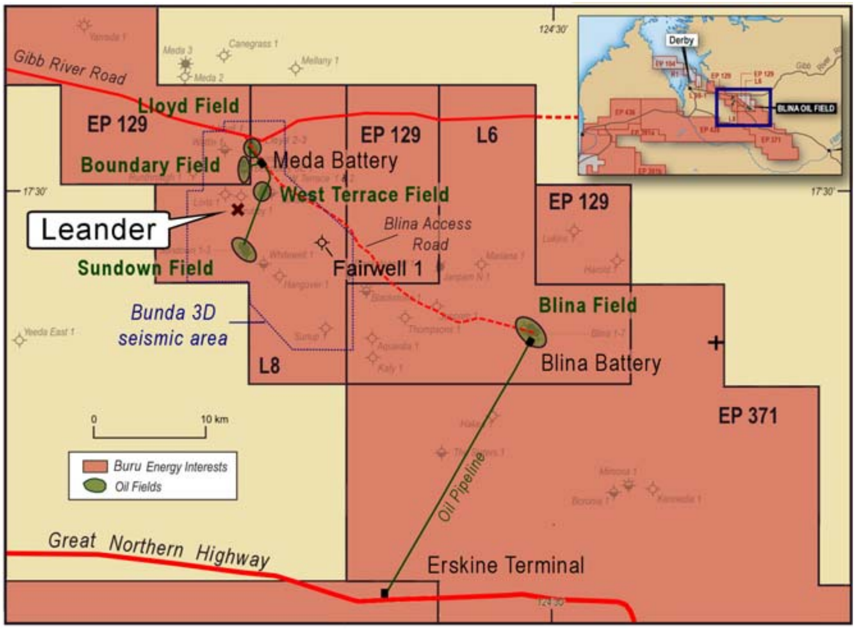
The Fairwell-1 well was drilled with the Company's Fairway Rig. The Fairway Rig will be used to drill the remainder of the wells in the Company's 2010 drilling program. The refurbishment of the Fairway Rig was completed during the quarter. The refurbishment allows the Fairway Rig to drill to a maximum depth of 2,500 metres, sufficient to drill each of the wells currently being considered for drilling during the 2010 field season. On completion of the refurbishment, and prior to mobilisation, the Fairway Rig was the subject of an independent operational and safety audit to ensure compliance with all relevant DMP safety and operational requirements.

Fairwell-1

Fairwell-1 was the first well to be drilled in the 2010 drilling season. The well was located in Buru's 100% owned Production Licence L8. Drilling operations commenced on 18 May. The well took 33 days to reach a final depth of 1,871 metres with slow drilling conditions in the lower part of the hole. Although hydrocarbon shows were encountered, no commercially significant hydrocarbons were identified. The well was plugged and abandoned on 21 June.

Leander-1

Leander-1 is the second well to be drilled in the 2010 drilling season. It is located in Production Licence L8 in an area covered by the Bunda 3D seismic survey, approximately 70km east of Derby, as shown on the map below.



Although close to Fairwell-1, Leander-1 is geologically distinct from that well and the results of Fairwell-1 have not impacted on the prospectivity of Leander-1.

The primary objective of Leander-1 is the sands of the Anderson Formation in a structure with the potential to hold approximately 1 million barrels of recoverable oil on a P50 basis, if hydrocarbons are present. The Anderson Formation currently produces oil in the nearby Lloyd Oilfield and holds previously identified potentially commercial oil accumulations in the existing Boundary and Sundown wells. Secondary objectives in the well include carbonates of the Yellowdrum Formation and the Nullara Limestone.

Drilling operations commenced at Leander-1 on 8 July 2010. The well is expected to take approximately 20 days to reach the primary objective and a total of 35 days to drill on a dry hole basis.[1]

Exploration

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

- the assessment of a number of high graded prospects as final candidates to be drilled during the balance of the 2010 field season;
- the finalisation of the planning of, and the appointment of Terrex Seismic to acquire, the Yulleroo South and Pijalinga 2D seismic surveys; and
- on-going activity on the assessment of the shale gas and tight gas potential of the Company's permits.

Final Candidates for 2010 Field Season

Buru is currently reviewing the final candidates for drilling in the balance of the 2010 field season with MC. These include:

- the Nangu-1 gas and condensate well, located in application area 4/06-7;
- the re-entry, fraccing and testing of the Yulleroo-2 gas well in EP391; and
- the appraisal of the Pictor oil and gas discovery in EP431.

Additional prospects are also being considered. Further details of the final candidates for drilling will be made available once they have been agreed with MC.

In addition to the operations involving MC, the Company is reviewing the potential to re-enter and test the Stokes Bay-1 well.

Seismic Surveys

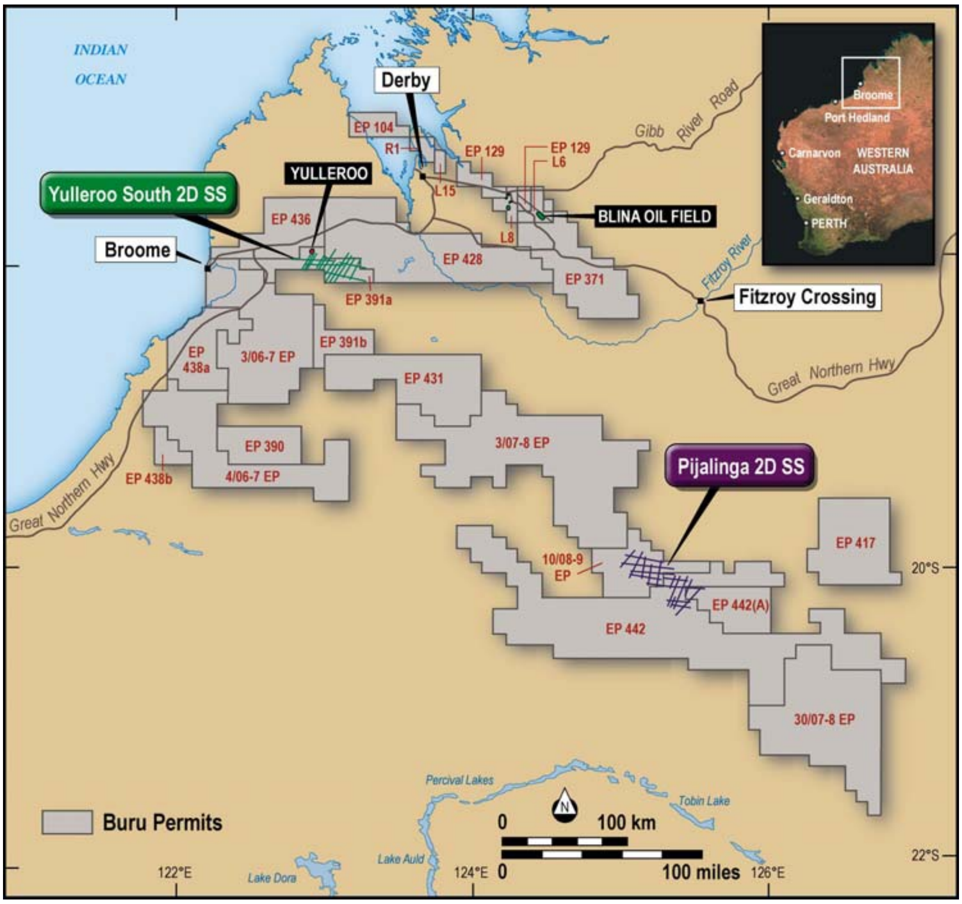
The Company is undertaking two 2D seismic surveys during the 2010 field season:

- **Yulleroo South** – The Yulleroo South 2D seismic survey consists of 16 lines covering 346.6kms in EP391 and EP428. It is designed to firm up prospects in the Jackeroo and Ungani trends surrounding the existing Yulleroo gas discovery for potential drilling in the 2011 field season. Subsequent to the end of the quarter all DMP approvals had been received for the acquisition of the Yulleroo South seismic.
- **Pijalinga** – The Pijalinga 2D seismic survey consists of 19 lines covering 408kms in EP442 and Application Area 10/08-9. It is designed to mature multiple leads in the Acacia Fairway to drillable status for potential drilling in the 2011 field season and to provide additional regional coverage. Subsequent to the end of the quarter, all DMP approvals had been received for the acquisition of the Pijalinga seismic.

Terrex Seismic was appointed during the quarter to acquire both the Yulleroo South and Pijalinga 2D seismic surveys.

The map on the following page shows the location of the Yulleroo South and Pijalinga 2D seismic surveys. The location of the existing Yulleroo gas discovery is also identified.

[1] *Drilling dates are indicative only and are subject to weather and operational requirements.*



Shale Gas Potential

During the quarter the Company continued its ongoing review of the shale gas potential of various areas of the Canning Superbasin. There are several thick, widespread, mature, organic rich shales present on Buru's permits including the Noonkanbah, Lower Anderson, Laurel, Gogo and Goldwyer Formations.

During the drilling of Fairwell-1, cores were acquired from the Noonkanbah Formation shales. These are currently being analysed and will significantly enhance the Company's understanding of the shale gas potential of that formation. It is also proposed to core the Laurel Formation during the drilling of the Paradise-1 well to test the shale gas potential of that formation. Acquiring fresh core material is an essential component of evaluating shale gas plays. These cores are the first cores in the Canning Superbasin acquired specifically for shale gas evaluation.

Corporate

On 15 June the Company announced that it had executed a Farm-in Agreement with Mitsubishi Corporation ("**MC**"). Under the Farm-in:

- MC has the right to earn interests in Buru's exploration permits by carrying up to $102.4 million of Buru's exploration costs, split between up to $62.4 million of conventional exploration and $40 million of unconventional exploration.

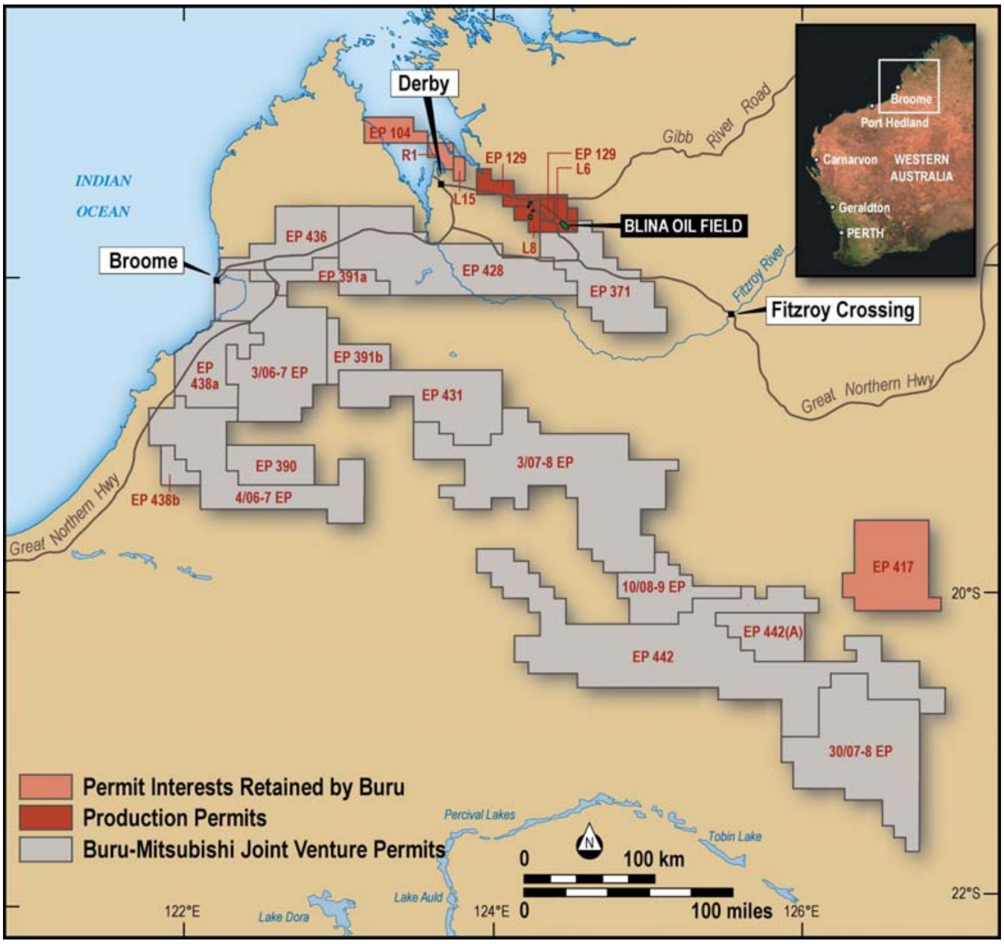
- MC may also carry up to $50 million of Buru's development costs for major oil and gas production infrastructure.

- In exchange for providing this funding MC has the right to earn up to a 50% interest in the majority of the exploration permits held by Buru.

- MC also has the right to acquire a 50% interest in Buru's production permits in exchange for an additional cash payment at a price determined by an independent expert based on 2P reserves.

Under the terms of the Farm-in Buru will remain as the operator of all of its permits. However, MC will lead any LNG commercialisation efforts in the joint venture permits in the Canning Superbasin.

The map below shows the permits covered by the Farm-in.



The formation of a strategic alliance in the Canning Superbasin with such a significant and experienced international company provides a strong endorsement of Buru's strategy, business plan and exploration and development objectives. This transaction secures funding for Buru's ongoing exploration activities and underpins the development of new discoveries. Importantly, the transaction has been structured to ensure Buru receives full value for any discoveries made from the wells being drilled in the Bunda 3D Seismic area in 2010.

Executive Director's Comments

> *"This quarter has been the culmination of the Company's hard work over the last 18 months in preparation for the 2010 field season. We have gone from being a prospective explorer, to successfully conducting drilling operations using our own rig. What's more, even though Fairwell-1 did not identify commercial hydrocarbons, it was a very successful demonstration of the operational capabilities of the Fairway Rig, giving us confidence in our decision to use the Fairway Rig for our 2010 drilling program.*
>
> *Just as importantly, our belief in the Canning Superbasin was affirmed by a third party with Mitsubishi recognising our vision and committing to spend up to $152.4 million on exploration and development in Buru's permits. The execution of the farm-in agreement with Mitsubishi is the culmination of a huge amount of work by the Buru team and provides validation by a significant international group of the prospectivity of the Canning Superbasin. Mitsubishi's commitment also gives us security of funding for, at the very least, our 2010 field program.*
>
> *The next quarter will see an increase in our on-ground activity with the drilling of Leander-1 and Paradise-1, together with the acquisition of the Yulleroo South and Pijalinga 2D seismic surveys. We will also be working very closely with Mitsubishi to finalise the remaining wells to be drilled during the 2010 field season. We will be providing additional details of these well as they are finalised."*

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
bopd	Barrels of oil per day
DMP	Western Australian Department of Mines and Petroleum
MC	Mitsubishi Corporation

Buru Energy Limited
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Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

BURU ENERGY LIMITED

ABN	Quarter ended ("current quarter")
71 130 651 437	30 June 2010

Consolidated statement of cash flows

		Current quarter $A	Year to date (12 months) $A
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	700,617	3,177,103
1.2	Payments for (a) exploration & evaluation	(3,034,010)	(14,528,327)
	(b) development	-	-
	(c) production	(497,277)	(2,539,963)
	(d) administration	(502,142)	(2,895,193)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1,110,346	1,941,958
1.5	Interest and other costs of finance paid	(289)	(1,770)
1.6	Income taxes paid	-	-
1.7	Payments for restoration to existing producing assets	-	(58,765)
	Net operating cash flows	**(2,222,755)**	**(14,904,957)**
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) fixed assets	(489,904)	(1,832,513)
1.9	Proceeds from sale of:		
	(a) fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	**(489,904)**	**(1,832,513)**
1.13	Total operating and investing cash flows (carried forward)	(2,712,659)	(16,737,470)

1.13	Total operating and investing cash flows (brought forward)	(2,712,659)	(16,737,470)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	609,580
1.15	Proceeds from sale of forfeited 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)
	Net financing cash flows	**-**	**109,580**
	Net increase (decrease) in cash held	**(2,712,659)**	**(16,627,890)**
1.20	Cash at beginning of quarter/year to date	64,891,682	79,001,944
1.21	Exchange rate adjustments to item 1.20	161,694	(33,337)
	Cash at end of quarter including cash held in escrow	**62,340,717**	**62,340,717**
	Less cash held in escrow	(21,636,802)	(21,636,802)
1.22	**Cash at end of quarter**	**40,703,915**	**40,703,915**

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	192,250
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
	Buru Energy Ltd (“Buru”) and Alcoa of Australia Ltd (“Alcoa”) have agreed to escrow $20,000,000 and interest thereon in partial satisfaction of Buru’s obligations to repay a $40,000,000 gas prepayment made by Alcoa to ARC Energy Limited prior to the demerger of Buru. These financial obligations crystallise if Buru does not deliver gas under the gas sales agreement between Alcoa and Buru from gas supplied from the Canning Basin or elsewhere, with repayment obligations being in three equal annual installments commencing in 2013. This cash balance in escrow has received interest totalling $1,636,802 taking the total escrowed cash balance to $21,636,802.

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
	Buru has entered into a binding Farm-in Agreement ("Farm-in") with Mitsubishi Corporation ("MC") to jointly explore and develop the Canning Superbasin, located in the Kimberley region of the northwest of Western Australia. Under the Farm-in, MC has the right to earn an equal interest to Buru in the majority of Buru's exploration permits by spending up to A$152.4 million on exploration and development. MC also has the right to acquire an interest in Buru's production permits in exchange for an additional cash payment. Under the Farm-in: • MC has the right to earn interests in Buru's exploration permits by carrying up to A$102.4 million of Buru's exploration costs, split between up to A$62.4 million of conventional exploration and A$40 million of unconventional exploration. • MC may also carry up to A$50 million of Buru's development costs for major oil and gas production infrastructure. • In exchange for providing this funding MC has the right to earn up to a 50% interest in the majority of the exploration permits held by Buru. • MC also has the right to acquire a 50% interest in Buru's production permits in exchange for an additional cash payment at a price determined by an independent expert based on 2P reserves. MC will earn an initial 40% interest in the majority of Buru's permits by funding the 2010 exploration program and may earn up to an additional 10% interest in these permits by funding the 2011 exploration program. Under the terms of the Farm-in Buru will remain as the operator of all of its permits. Further information on the Farm-in is available in the ASX announcement made on the 15 June 2010.

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	6,330,000
4.2	Development	460,000
4.3	Production	760,000
4.4	Administration	620,000
	Total	**8,170,000**

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	8,685,909	2,836,096
5.2	Deposits at call	32,000,000	41,000,000
5.3	Bank overdraft	-	-
5.4	Share of joint venture cash	18,006	17,925
	Total: cash at end of quarter (item 1.22)	**40,703,915**	**43,854,021**
	Cash held in escrow	21,636,802	21,037,661
	Total: cash at end of quarter including cash held in escrow	**62,340,717**	**64,891,682**

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	As explained in section 2.2, Buru has entered into a Farm-In agreement with Mitsubishi Corporation. Details of changes in Buru's interests in its exploration permits are detailed in the ASX announcement made on the 15 June 2010 at attachment 2.			
6.2	Interests in mining tenements acquired or increased	L15	On 1 April 2010 the Western Australian Department of Mines and Petroleum advised that Petroleum License L15 had been granted to the applicants over the existing West Kora oil field. West Kora is currently shut-in. The JV is currently considering options for testing whether oil production can be recommenced from the field.	0%	17%

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) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*	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	**+Ordinary securities**	182,769,813	182,769,813	N/A	N/A
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	- -	- -	- -	- -
7.5	**+Convertible debt securities** *(description)*	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	**Options** *(description and conversion factor)*	55,176,890 5,000,000 10,241,000 5,000,000 75,417,890	55,176,890 - - - 55,176,890	***Exercise price*** $0.94 $0.25 $0.30 $0.35	***Expiry date*** 10 Oct 2010 31 Dec 2011 31 Dec 2011 31 Dec 2011
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	**Debentures** *(totals only)*	N/A	N/A		
7.12	**Unsecured notes** *(totals only)*	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 4).

2 This statement gives a true and fair view of the matters disclosed.

Sign here: .... Date: 26 July 2010

Eric Streitberg
Executive Director