

ASX ANNOUNCEMENT (ASX: BRU) 1 June 2012

Ungani Field Extended Production Test Commences

Buru Energy Limited is pleased to announce that first oil has now been produced from the Ungani Field following commencement of the extended production test (“EPT”). The commencement of test production from the Field is a very significant milestone for both Buru, the EP 391 joint venture, the Canning Superbasin and for Western Australia.

The Ungani-1/ST1 well has commenced producing oil into the facilities, and initial test rates are very encouraging, with rates in excess of 2,000 bopd being obtained. The well will now be produced at varying rates to allow estimates of longer term sustainable flow rates and reservoir productivity, and to establish flowing parameters through the EPT facility.

The EPT facility has been designed with the capacity for a maximum sustained production rate of 1,000 bopd. The technical requirements of the data gathering and testing program (including a number of shut-in periods for pressure buildups), and initial limitations on the transport system, means that production will initially be constrained to an overall average of some 400 bopd. The produced oil, which is of very high quality, will be trucked to the BP refinery at Kwinana where it will be refined for domestic consumption in Western Australia.

The EPT will be carried out over an initial period of up to six months and will produce oil from the existing Ungani-1/ST1 and Ungani-2 wells to help determine the reservoir parameters, performance characteristics and potential reserves of the Field. Data obtained from the EPT will be a key determinant in appraisal and production well placement and configuration, and it will also provide valuable production operations information that will assist in optimizing the design of the full field development.

Planning for the EPT was commenced early this year and Government, Joint Venture and Traditional Owner approvals were obtained in March. Construction of the EPT facility was then commenced in April after approximately four weeks delay due to weather.

The EPT facility is of simple design and consists of oil separation, storage, and load out facilities. A significant amount of the equipment has been sourced from Buru’s existing oilfield operations in the Blina area, enabling costs to be kept low and lead times short. The EPT facility also includes accommodation, support and control systems to allow 24 hour operations. The EPT facility has a very small on ground footprint and has been designed to minimise any impact on the environment.

The EPT is expected to be marginally cash flow positive during the initial test phase due to the high fixed costs from rental equipment and the engagement of specialist test personnel.

Further appraisal/development drilling will be undertaken on the Ungani Field this year after the completion of the planned 3D seismic survey. The 3D seismic data and subsequent drilling program, together with the results of the EPT, will allow a more definitive estimate of the reserves of the field to be made, indicatively by the end of 2012 or early 2013.

Commenting on the commencement of the EPT, Buru's Executive Director, Eric Streitberg, said:

"This is a major step forward for Buru, for the joint venture, for the State and for the Western Australian community more broadly.

Ungani is the first new production from the Canning Superbasin since the 1980s and the discovery of Ungani comes almost exactly 10 years after the last major oil discovery in Western Australia at the Hovea Field in the Perth Basin.

The development so far is a model for how a petroleum development can be undertaken with minimal impact on the environment and on the social and traditional values of the Kimberley, and our goal is to continue this process going forward in our other activities.

Our continued good relations with the Traditional Owners whose country we operate on is also extremely important, and we will be working hard to ensure that we are able to preserve the cultural and heritage values of the area, and to share an appropriate level of benefits.

The forward program for the Ungani area includes the acquisition of the 3D seismic survey over the field and additional 2D data in the Ungani trend. There are numerous prospects already identified in the area and the Ungani North structure immediately to the north of the Ungani Field is a high priority exploration target."

Buru will provide a further update as production is stabilised, and will also provide monthly updates on the progress of the EPT, subject to any material events occurring in the meantime.

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Ungani EPT separator facility



Buru Operations Manager at Ungani-1