



The Directors of Buru Energy Limited (Buru Energy) are pleased to provide the report for the quarter ended 30 June 2017.

Highlights

During the quarter a series of transformational transactions and operational enhancements were completed. These activities have substantially transformed the Company and have laid the basis for future growth and value adding.

Transformational acreage swap transaction with Mitsubishi to acquire 100% of the western Canning Basin assets including the Ungani Oilfield:

- Buru Energy acquired 100% of the Ungani Production Licenses and the cash flows from the Ungani Oilfield
- Buru Energy retained the highly prospective Ungani oil exploration trend with 100% interest in permits EP391, EP428, EP431 and EP436
- As part of the transaction Buru Energy transferred to Mitsubishi its 50% of EP371 containing the Valhalla/Asgard gas resources
- Buru Energy retained the Western, Central and Northern gas provinces containing large prospective gas resources and contingent gas and condensate resources at the Yulleroo Gasfield

Ungani Oilfield production recommenced:

- Oil production restarted on 16 June 2017 with the field restart program completed on time and under budget
- Ungani oil is now trucked to Wyndham and stored in CGL's 80,000 barrel tank
- Oil to be exported via ship to SE Asian markets
- Target free cash flow from operations of A\$25 to A\$30 per barrel at US\$50 Brent oil price, AUD/USD exchange rate of \$0.75 and 1,250 bopd production rate

Balance sheet restructured:

- Restructuring of outstanding unsecured Alcoa debt frees up balance sheet and aligns repayments with expected cash flows
- Cash at 30 June 2017 of \$19.2m with \$5.0m paid to Alcoa on 14 July 2017

Exploration portfolio confirmed

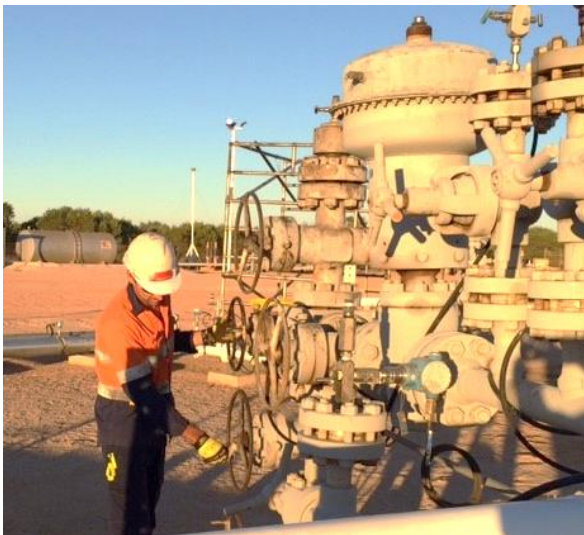
- Mapping of the Ungani trend completed and prospects defined
- New play concept identified in the Northern gas province with potential for both conventional and unconventional gas resources

Production and Development

Ungani Oilfield

Field performance

On 16 June 2017, Buru Energy recommenced production at the Ungani Oilfield, which had been shut-in since January 2016 as a consequence of the then low oil prices. The field restart program was completed on time and under budget with no incidents.



Opening up the Ungani 1 well



First oil to surface at Ungani restart

Initial production from the field included a series of rate and interference tests to quantify reservoir properties prior to full scale production, and to provide base line production data prior to the installation of the downhole pumps. The test data is currently being processed, but initial field interpretation is in line with or exceeds previous results and interpretations. Full review of the data will take another 4 to 6 weeks.

The field was initially produced at some 800 bopd while the transport system was fully commissioned, with progressive steps up to the current rate of 1,000 bopd. The target production rate for this phase of production is 1,250 bopd.

Export system

A key part of the restart program was the modifications to the export system to reduce costs and improve efficiency. The main components of these modifications were access to the larger 80,000 barrel capacity export tank in Wyndham (Tank 10). Previous production was through the 30,000 barrel capacity tank (Tank 9) which restricted ship size and availability and consequently imposed higher transport costs.

Modifications to the CGL 80,000 barrel crude storage tank required to convert it to crude service were completed on time and on budget with no incidents. The work was carried out by DRA Industries Pty Ltd (DRA) who provided vendor finance for this work.



Wyndham Tank 10

Crude transport from Ungani Oilfield to Wyndham Port is being undertaken by Fuel Trans Australia (FTA). FTA were awarded the contract after a rigorous selection process which included analysis and review by a third party independent expert on road transport risk management. The trucking system includes state of the art safety systems to ensure the system has an ALARP risk profile. The systems include minimal night driving, geofencing of potential risk sections, in-cab monitoring, external monitoring of driving parameters and truck locations and using all local drivers. The full system will utilise quads which will reduce the number of truck movements.



FTA quad on track to Wyndham Port

Oil marketing and sales

As part of the asset swap transaction with Mitsubishi (see further details below) the marketing rights for Ungani crude oil held by Mitsubishi were terminated.

Buru Energy subsequently received a number of commercially attractive proposals for crude oil marketing services, particularly for the larger parcels from the enhanced export system with the larger tank.

An offtake agreement has now been reached with Trafigura Pte Ltd (Singapore) for the sale of the crude oil FOB at Wyndham for the next 12 months, with the first lifting likely to be in early September.

Further Ungani development activity

Further development of the field is being undertaken in phases with the recent startup of production being the completion of Phase 1. Phase 2 will involve the installation of downhole pumps in the Ungani 1 and 2 wells and their associated surface control and power systems, and an upgrade to the fluid handling system, including additional tankage. This phase is now underway with the long lead items for the artificial lift system ordered. Discussions with rig suppliers are also underway to ensure that a rig is available as required to install the pumps. These discussions indicate that a cost effective solution will be available in the time frame required later this year.

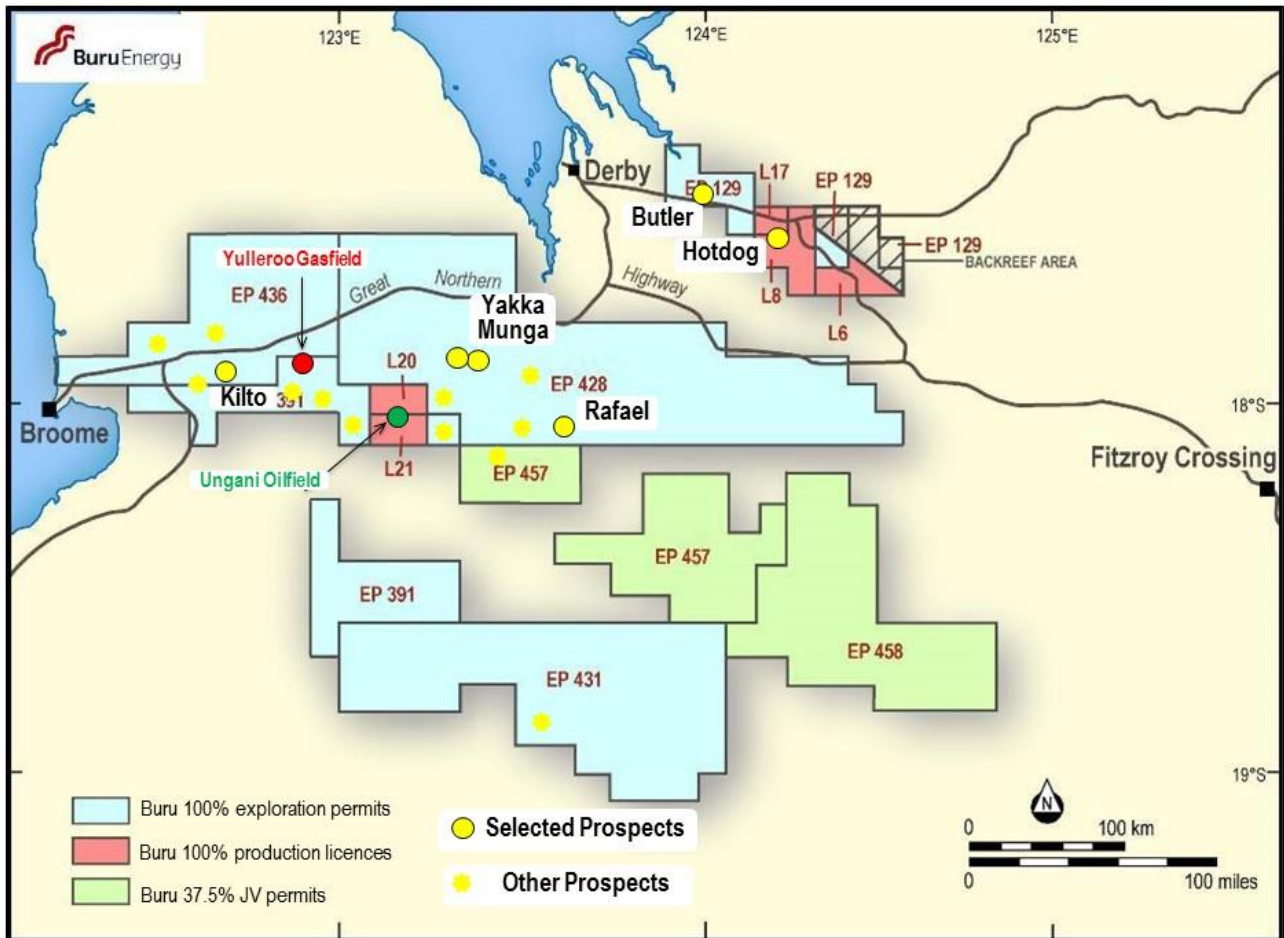
A further phase of activity is being planned to increase the productive capacity and resource base of the field. This is likely to include the drilling of a sidetrack to the Ungani 3 well and an additional development well at Ungani 4, upon the conclusion of the Phase 2 work. These activities are subject to all necessary approvals and appropriate funding arrangements.

Blina and Sundown Oilfields

The Blina and Sundown Oilfields remained shut-in during the quarter with maintenance and well inspections continuing.

Exploration

The Company's exploration portfolio has been enhanced by its assumption of 100% of the Ungani trend permits and associated prospects. Mapping of these prospects is now essentially complete and the Company is preparing a portfolio of drilling opportunities for discussions with prospective farmin parties for the planned 2018 drilling program. The prospects include a range of play types from the proven Ungani Dolomite and Reeves discovery to new high potential concepts for both oil and gas. Further details of these prospects are set out in the corporate presentation dated 19 July 2017 and available from ASX or the Company's website.



Map of selected exploration prospects

Yulleroo Gasfield review

Subsequent to the transaction with Mitsubishi, Buru Energy has title to 100% of the Yulleroo Gasfield and the gas resources in the other areas of the basin outside EP 371. The Company has commissioned RISC Advisory to provide an update of their 2011 review of the resources of the Yulleroo Gasfield. A review of possible ways forward for the appraisal of this resource is being undertaken noting that the Western Australian Government has adopted a policy which places a moratorium on hydraulic fracturing whilst it undertakes an independent scientific inquiry into this process. No details of the timing or scope of the inquiry have been made available by the Government at this time.

Corporate

Asset Swap Agreement

On 25 May 2017 Buru Energy announced it had entered into a transformational transaction with its joint venture partners Diamond Resources (Fitzroy) Pty Ltd (DRF) and Diamond Resources (Canning) Pty Ltd (DRC), which are both wholly owned subsidiaries of Mitsubishi Corporation, on its exploration and production assets in the Canning Basin in the northwest of Western Australia.

The asset swap allows each company to achieve their corporate objectives by focusing on the areas where they have the most appropriate technical and commercial capability:

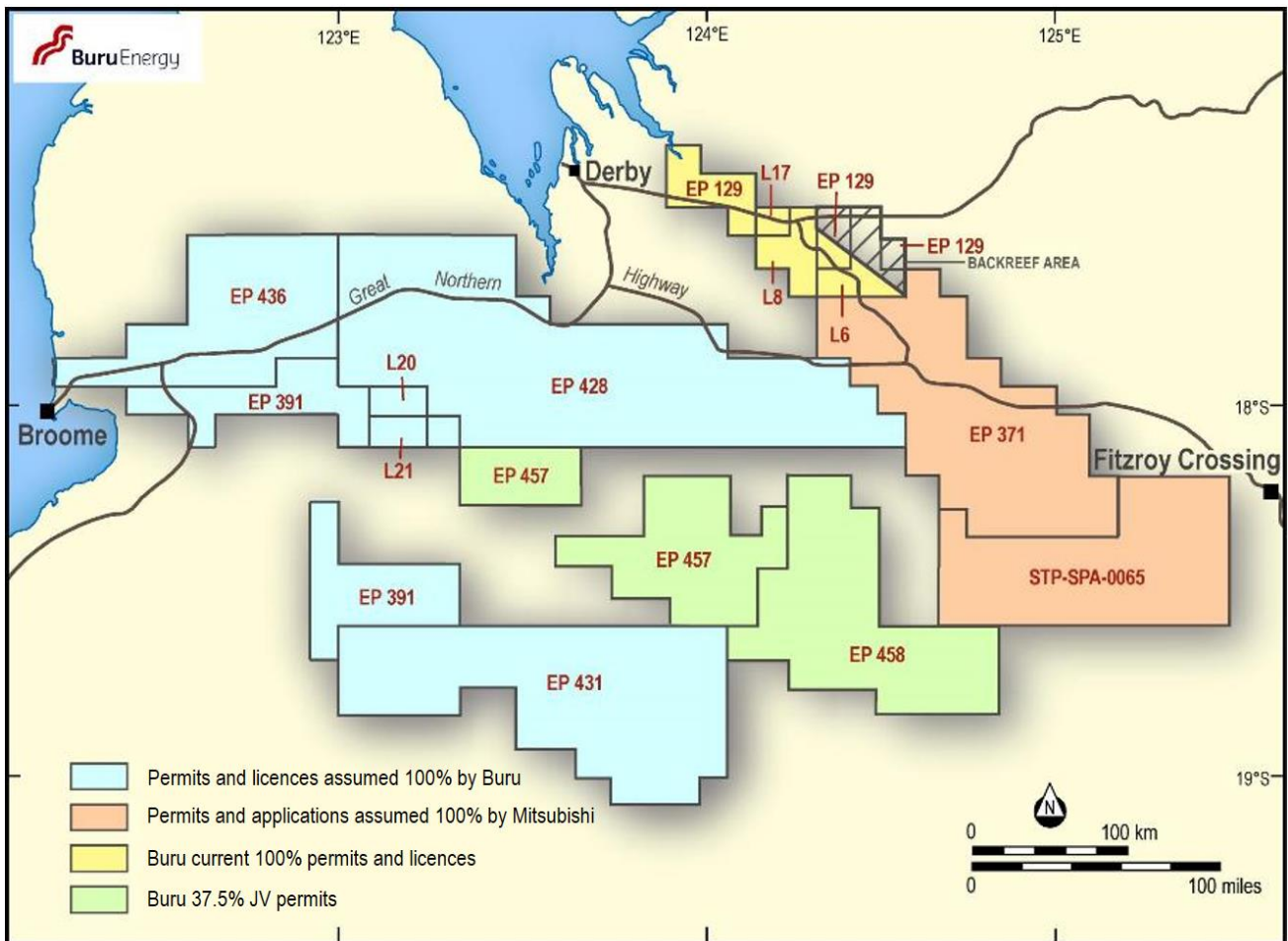
The agreement had the following effect:

- DRF agreed to transfer to Buru Energy its 50% interest in the Ungani Oilfield Production Licences (L20 and L21) and its 50% interest in exploration permits EP391, EP431 and EP436.
- DRC agreed to transfer to Buru Energy its 50% interest in exploration permit EP428.
- Buru Energy agreed to transfer to DRF, its 50% interest in EP 371 and its 50% interest in the application for special prospecting authority STP-SPA-0065 and STP-AAA-0031.
- DRF and DRC also agreed that Buru Energy will provide services in relation to EP371, including community engagement and liaison.

As part of the transaction the parties agreed to terminate the Ungani Development Funding Agreement (UDFA). On termination of the UDFA, DRF paid its share of the costs for restarting the Ungani Oilfield (\$1.5 million) as part of the remaining first tranche of funding under the UDFA.

The asset swap is summarised below:

Title	Holder before transaction	Type	Holder after transaction
EP371	Buru and DRC each 50%	Exploration	DRC and DRF each 50%
EP391	Buru and DRF each 50%	Exploration	Buru 100%
EP428	Buru and DRC each 50%	Exploration	Buru 100%
EP431	Buru and DRF each 50%	Exploration	Buru 100%
EP436	Buru and DRF each 50%	Exploration	Buru 100%
L20	Buru and DRF each 50%	Production	Buru 100%
L21	Buru and DRF each 50%	Production	Buru 100%
SPA0065	Buru and DRC each 50%	Application	DRC and DRF each 50% (of any permit grant)



Map of transaction permits

Balance sheet restructured with variation of Alcoa repayments

As at 30 June 2017, Buru Energy’s remaining \$12.5 million loan repayment to Alcoa of Australia Limited (Alcoa) was due on 30 June 2018. On 5 July 2017 Buru Energy announced it had entered into an agreement with Alcoa to vary the repayment terms under which payments will be made in the tranches set out below:

- \$5.0 million was paid on 14 July 2017
- \$2.5 million to be paid on or before 31 December 2018
- \$2.5 million to be paid on or before 31 December 2019
- \$2.5 million to be paid on or before 31 December 2020

The debt continues to be unsecured and will now be subject to an agreed market based interest rate on the outstanding balances commencing 1 January 2018, and payable annually in arrears. The \$2.5 million annual tranches are further subject to an accelerated capital repayment mechanism based on Buru Energy’s gross revenue from Ungani oil sales exceeding an agreed base level. This aligns the amortisation of the remaining Alcoa loan to the future oil revenue profile of Buru Energy’s 100% owned Ungani Field, and provides more funding flexibility for Buru Energy to repay this debt from surplus cash flow.

Financial

During the June 2017 quarter, the Company recorded a net cash outflow of \$0.6 million and at the end of the quarter had a cash balance of \$19.2 million. The ASX Appendix 5B attached to this report contains the Company's cash flow statement for the quarter which is summarised as follows:

- **Exploration** cash outflows of \$0.3 million for the quarter (March 2017: \$0.2 million), comprised primarily of the ongoing Ungani oil trend evaluation, technical TGS evaluation and desktop geological and geophysical work.
- **Development** cash outflows of \$0.4 million for the quarter (March 2017: <\$0.1 million), comprised of costs associated with bringing the Ungani oilfield back on production in June 2017. \$1.5 million was received in the quarter as Mitsubishi's final contribution towards Ungani development.
- **Production / Care & Maintenance** cash outflows of \$0.4 million for the quarter (March 2017: \$0.3 million) which comprised Ungani oilfield care and maintenance costs.
- **Staff, administration and corporate** cash outflows of \$1.0 million for the quarter (March 2017: \$0.7 million) were slightly higher than the previous quarter due to Buru Energy taking responsibility for 100% of the general and administrative costs of the production licenses and exploration permits acquired following the asset swap transaction with Mitsubishi.

The Company is forecasting a cash outflow of \$9.0 million in the September 2017 quarter (which includes the \$5.0m paid to Alcoa on 14 July 2017):

- **Exploration** cash outflows are estimated at \$1.2 million and include preparation for the 2017 exploration program, as well as ongoing expenditures relating to Ungani oil trend evaluation, technical tight gas evaluation, desktop geological and geophysical work, ongoing asset integrity and Traditional Owner engagement at post asset swap equities.
- **Development** cash outflows are estimated at \$2.1 million. The expenditures include costs associated with the Ungani production facility upgrades to bring the Ungani Oilfield back on production in June 2017 and also include the initial costs of the Phase 2 upgrades. This is offset by the \$1.5m payment received from Mitsubishi in the June quarter.
- **Production** net cash inflows are estimated at \$0.5 million being net cash receipts from the Ungani oilfield production and take into account the working capital delay associated with cash receipts of Ungani crude being in ~80,000bbl parcels.
- **Staff, administration and corporate** cash outflows are estimated at \$1.2 million as Buru Energy takes responsibility for 100% of general and administrative costs at post asset swap equities.
- **Alcoa loan** cash outflow of \$5m on 14 July 2017 as described above.

The Company's cash position continues to be carefully monitored to ensure the Company can meet its commitments as and when they fall due, and the Company continues to rationalise its operating and administrative overheads with a continued focus on reducing operating costs and general expenditure.

Schedule of interests in permits as at 30 June 2017

<u>Permit</u>	<u>Type</u>	<u>Ownership</u>	<u>Operator</u>	<u>Location</u>
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	100.00%	Buru Energy Ltd	Canning Basin, WA
L21*	Production licence	100.00%	Buru Energy Ltd	Canning Basin, WA
EP129**	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP391*	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP428*	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP431*	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP436*	Exploration permit	100.00%	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

* *Subject to the approval and registration of the instruments of transfer. These were lodged with the DMP (now DMIRS) on 16 June 2017.*

** *Excluding the Backreef Area.*

Visit 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. It owns 100% of its flagship high quality conventional Ungani Oilfield project and 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.

Qualified Petroleum Resources Evaluator Statement

Except where otherwise noted, information in this release related to exploration and production results and petroleum resources is based on information compiled by Eric Streitberg who is an employee 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 40 years of relevant experience. Mr Streitberg consents to the inclusion of the information in this document.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96. Origin: Appendix 8. Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

BURU ENERGY LIMITED

ABN

71 130 651 437

Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(311)	(523)
(b) development	(447)	(451)
(c) production	(21)	(21)
(d) care and maintenance	(415)	(739)
(e) staff costs	(530)	(910)
(f) administration and corporate costs	(466)	(878)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	113	238
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refund	-	-
1.8 Joint venture partner's final contribution towards Ungani development	1,500	1,500
1.9 Net cash from / (used in) operating activities	(577)	(1,784)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(36)	(71)
(b) tenements (see item 10)	-	-

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	9
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(36)	(62)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of Alcoa liability	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	19,818	21,052
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(577)	(1,784)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(36)	(62)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	(1)
4.6	Cash and cash equivalents at end of period	19,205	19,205

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	935	1,658
5.2	Call deposits	18,270	18,160
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	19,205	19,818

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
232
-

N/A

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

N/A

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Alcoa Liability

As at 30 June 2017, per the agreed variation to the Alcoa gas sales contract, the remaining \$12.5m liability to Alcoa was due to be repaid on 30 June 2018. Subsequent to the quarter end, the loan was restructured and \$5m was paid to Alcoa on 14 July with the remaining balance of \$7.5m repayable in three annual instalments commencing 31 December 2018.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(1,200)
9.2 Development	(2,100)
9.3 Production (Net after receipts)	500
9.4 Staff costs	(600)
9.5 Administration and corporate costs	(600)
9.6 Alcoa loan partial repayment	(5,000)
9.7 Total estimated cash outflows	(9,000)

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	EP 371	Buru Energy entered into an agreement on 24 May 2017 for the transfer of interests in this permit. See Buru Energy's ASX release on 25 May for further information.	50%	0%*
10.2 Interests in mining tenements and petroleum tenements acquired or increased	EP 391 EP 428 EP 431 EP 436 L 20 L 21	Buru Energy entered into an agreement on 24 May 2017 for the transfer of interests in these permits. See Buru Energy's ASX release on 25 May for further information.	50% 50% 50% 50% 50% 50%	100%* 100%* 100%* 100%* 100%* 100%*

* Beneficial interest. Subject to the approval and registration of the instruments of transfer. These were lodged with the DMP (now DMIRS) on 16 June 2017.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 31 July 2017
Company Secretary

Print name: Shane McDermott

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.