

29 January 2025

## Rafael (Kimberly gas) FID on track for late CY25

- Rafael gas / liquids project targets commercial agreements in 1QCY25, FID in late 2025 and production in 2H2027.
- Divestment of non-core subsidiaries, Battmin and 2H Resources, reduction in acreage and G&A costs to preserve capital. Cash at y/e CY24 A\$7.9M and nil debt.
- Rafael project "to generate long term annual cashflows in excess of the company's market capitalisation" (according to Buru)

**Buru targets a number of commercial events in 1QCY25 to advance the Rafael gas project in WA's Kimberly region.** Discussions with off-takers, and partners are underway. Geological and geophysical studies have progressed to de-risk development. Rafael-1 re-testing and Rafael-B drilling are planned for late CY25.

**Separately, Buru is in discussions with third parties with the objective of re-starting the shut-in Ungani oil field,** and to drill the nearby Mars oil prospect.

**Divestment processes are underway to exit non-core assets and conserve cash.** "Battmin" has been sold, for a royalty consideration. Acreage holdings are to be reduced, and G&A expenses lowered. The collective saving is ~\$3M p.a. Cash as at 31 December 2024 was \$7.9M and nil debt.

### Investment Thesis

**The Rafael gas resource is potentially transformational and in 2025 Buru plan to FID and enter production in late 2027.** The company declares that "long term annual cashflows from late 2027 are in excess current market capitalisation".

**The Ungani oil field is being considered for a re-start** pending resolution of new transport arrangements and possible introduction of partners. A re-start would provide cashflow, and underpin an operational base for future Rafael operations.

**Divestment of non-core assets (2H Resources and Battmin)** reduces asset holding costs, frees up Buru management to focus on the bigger prize at Rafael, and potentially generates cash or in-kind value from the sale.

### Valuation A\$0.29 (A\$0.30 previously)

MST's valuation is a risked cash flow for a Rafael Kimberly gas project, with minimal value to non-core assets being di-vested and exploration acreage to be exited.

### Risks

Buru will require additional funds to develop its projects, and this may not be available. Rafael appraisal may result in lower resources, and development options are reliant on gas markets. As a fossil fuel producer Buru faces societal pressure. There is geological risk involved in the pursuit of new oil targets. Timing of drilling in the Canning Basin is dependent on weather.

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Buru Energy is an oil producer and explores for oil and gas in WA's Canning Basin and is participating in the new energy economy through initiatives in natural hydrogen, and carbon, capture and storage.  
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Valuation	<b>A\$0.290</b> (from A\$0.300)
Current price	<b>A\$0.048</b>
Market cap	<b>A\$37M</b>
Cash on hand	<b>A\$8M</b>

### Upcoming Catalysts / Next News

Period	
1Q25	Divest 2H Resources
1Q25	Kimberly power offtake agreements
1Q25	Advance/ conclude partner selection
Late 25	Rafael-1 retest, and Rafael-B drilling
Late 25	Kimberly Power FID

### Share Price (A\$)



Source: FactSet, MST Access

Figure 1: Buru Energy Ltd. Financial summary. All figures in A\$ unless otherwise stated.

Market Data					Chart					
	Y/E Dec 31	A\$	Lo	Hi	ASX:BRU					
Share price	A\$/sh	0.048								
52 week range	A\$/sh		0.037	0.13						
Shares on issue	M	779								
Perf shrs + Options	M	0.00								
Market Cap	AS\$M	37								
Net Cash	AS\$M	8								
Enterprise Value	AS\$M	30								
Valuation	cps	0.29								
Valuation multiples					Income statement					
	FY22A	FY23A	FY24E	FY25E	FY26E	FY22A	FY23A	FY24E	FY25E	FY26E
EPS	0.00	0.00	0.00	0.00	0.00	Gas Revenue	0.0	0.0	0.0	0.0
PE	-	-	-	-	-	Oil Revenue	13.9	4.7	0.0	0.0
DPS	0.00	0.00	0.00	0.00	0.00	<b>Revenue</b>	<b>14.1</b>	<b>10.4</b>	<b>0.4</b>	<b>0.0</b>
Yield-%	-	-	-	-	-	Production costs	7.3	3.5	0.3	0.0
EBITDAX/sh (US cents)	-	-	-	-	-	Corporate costs	3.9	3.0	4.7	3.2
P/FCF	-	-	-	-	-	Other	0.7	1.1	0.0	0.0
EV/EBITDAX	-	-	-	-	-	<b>EBITDA</b>	<b>2.2</b>	<b>2.9</b>	<b>-4.6</b>	<b>-3.2</b>
EV/(2P+2C)- A\$/ GJ	-	-	-	-	-	Depreciation & exploration	9.7	7.9	2.1	0.0
Revenue/MM boe	-	-	-	-	-	EBIT	-7.5	-5.1	-6.7	-3.2
EBITDAX/Sales-%	-	-	-	-	-	Finance charges	0.0	0.1	-0.3	-0.3
Net cash (US\$M)	17.9	18.2	8.0	12.4	7.4	Pre-tax profit	-7.5	-5.1	-6.4	-2.9
ND/(ND+E)	-	-	-	-	-	Tax	0.0	0.0	0.0	0.0
Realised prices					Reported NPAT					
	FY22A	FY23A	FY24E	FY25E	FY26E	FY22A	FY23A	FY24E	FY25E	FY26E
Gas- A\$/ GJ	0.00	0.00	12.00	12.00	12.00	Impairments	-25.2	0.0	0.0	0.0
Oil-US\$/bbl	121	80	116	118	120	<b>Reported NPAT</b>	<b>-32.8</b>	<b>-5.1</b>	<b>-6.4</b>	<b>-2.9</b>
A\$/US\$ rate metrics	0.70	0.71	0.68	0.68	0.68	Share count at EOP (M)	596	671	780	780
Production (Net)					Cash flow					
	FY22A	FY23A	FY24E	FY25E	FY26E	FY22A	FY23A	FY24E	FY25E	FY26E
Gas- Bcf	0.00	0.00	0.00	0.00	0.00	Receipts from customers	13.9	4.7	0.0	0.0
Liquids (MMbbl)	0.10	0.04	0.00	0.00	0.00	Payments to suppliers	-10.2	-6.6	-4.6	-3.2
MMboe	0.1	0.0	0.0	0.0	0.0	Payments for E&A	-8.5	-6.4	-6.6	0.0
% liquids	-	-	-	-	-	Interest & other	0.2	0.5	0.7	0.3
Rafael Resources (100%)					Net cash from ops.					
	2P	1C	2C	3C	FY22A	FY23A	FY24E	FY25E	FY26E	
Gas- Bcf	0	85	220	523	Exp & Dev capex	-9.0	-3.9	-9.1	-2.2	
Liquids	1	1.8	4.5	10.6	Divestments/ (acquisitions)	0.0	5.0	3.4	10.0	
Total Mmboe	1	16	41	98	<b>Net investing C'flow</b>	<b>-9.0</b>	<b>1.1</b>	<b>-5.8</b>	<b>7.8</b>	
% oil		11%	11%	11%	Equity issuance	9.1	8.5	6.3	0.0	
SoP Valuation					Debt Issue /(repay)					
	Unrisked	Risk	Riskd	cps	FY22A	FY23A	FY24E	FY25E	FY26E	
Ungani 2P	7	100%	4	0.00	Lease Payments	-1.3	-1.2	-0.4	-0.5	
Rafael Kimberly power	260	75%	195	0.25	Net cash Financing	7.8	7.3	5.9	-0.5	
Rafael 2C	68	50%	34	0.04	Increase in cash	-5.8	0.3	-10.2	4.4	
Yulleroo tight gas	0	0%	0	0.00	Cash at EOP	17.9	18.2	8.0	12.4	
GeoVault CCS	0	0%	0	0.00	<b>Balance sheet</b>	<b>FY22A</b>	<b>FY23A</b>	<b>FY24E</b>	<b>FY25E</b>	
2H Resources H / He	15	50%	8	0.01	Cash	17.9	18.2	8.0	12.4	
Exploration	0	20%	0	0.00	Receivables & Inventory	2.2	0.8	1.2	1.2	
Net Cash	8		8	0.01	Exploration & evaluation	10.2	14.8	25.1	27.3	
Corporate costs	-21	0%	-21	-0.03	Oil & gas properties	0.0	0.0	0.0	0.0	
<b>Total equity value</b>	<b>336</b>		<b>226</b>		other	3.8	6.1	2.5	2.8	
Shares on issue	779		779		<b>Total Assets</b>	<b>34.1</b>	<b>39.9</b>	<b>36.9</b>	<b>43.8</b>	
<b>Value Per share</b>	<b>0.43</b>			<b>0.29</b>	Payables	2.0	2.7	1.6	1.6	
					Debt	0.0	0.0	0.0	0.0	
					Other	12.3	14.1	14.5	14.3	
					<b>Total liabilities</b>	<b>14.4</b>	<b>16.7</b>	<b>16.1</b>	<b>15.9</b>	
					Total equity	19.8	23.2	20.8	27.9	

Source: MST Access

# Full-ahead on the Kimberly gas project

This report updates for recent information outlined in the December quarter report.

Key recent deliverables have been:

- Progress on divestment of non-core assets. The Battmin (Battery Metal JV with Sipa Resources) has been exited in consideration for a royalty on future revenue. A divestment process for the 2H Resource subsidiary is underway and targets conclusion in 1Q 2025. 2H Resources owns a portfolio of licence application areas which are considered prospective of hydrogen and helium, in WA, SA, and Tasmania
- Exploration acreage in the Canning Basin is to be reduced from 165 blocks to 68 blocks, saving retention and licence fees, and freeing up internal executive and technical resources to focus on the Kimberly project
- Reduction in corporate costs, from a 40% reduction in headcount, reduction in Board fees, and forfeiture of CEO short-term incentives.

The reduction in corporate costs, reduction in acreage holdings, and divestments of non-core activities target a reduction in operating and capital costs of ~A\$3M p.a, according to Buru.

Buru's core asset is its oil and gas resources, and deep expertise in the Canning Basin in WA's Kimberly regions.

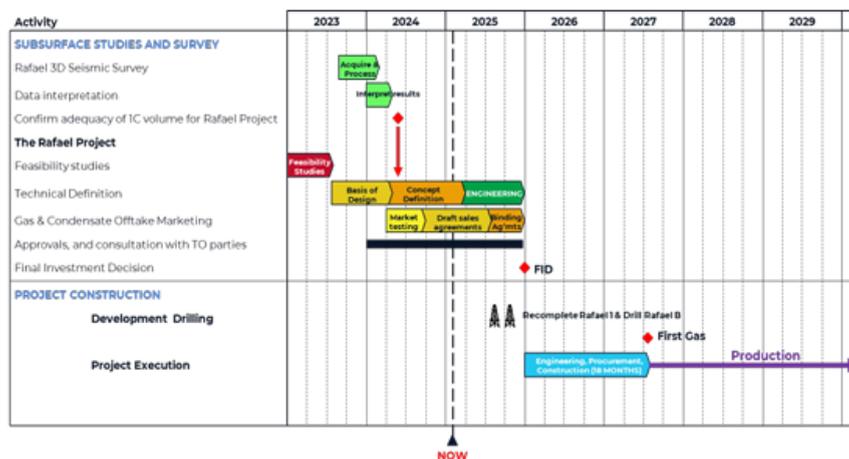
Buru's Rafael gas discovery in 2021 is potentially transformational due to the size of the resource. Well tests and geological data prove a major gas field, and Buru's current focus is securing partners, finance, off-takers and construction developers, to bring Rafael into production late 2027. Buru aims to have commercial agreements in place in 1Q2025 and if so would catalyse a share price re-rating.

## Updated timeline

Figure 2 is an up-dated project schedule. Key milestones are:

- Target commercial agreements, including product offtake, and partner selection in 1Q25.
- Recompletion and testing of Rafael 1, and drilling of a new well Rafael-B from 3Q25.

Figure 2: Activity timeline for the proposed Kimberly gas project



Source: Buru Energy, 2024 December quarter report.

## Progressing Rafael: commercial agreements targeted in 1Q25.

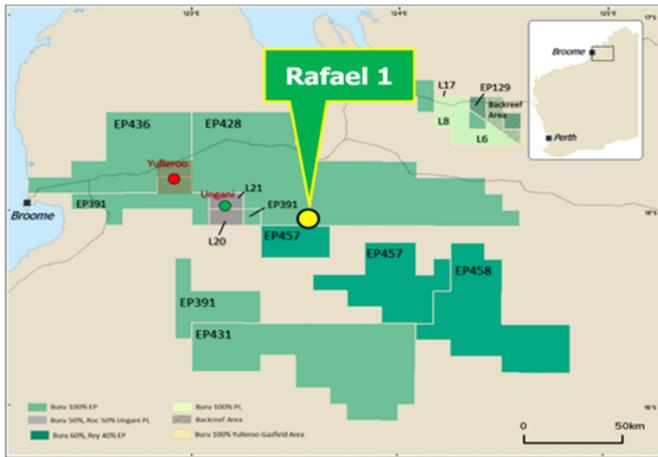
Rafael#1 was drilled in August 2021 and intersected 120m of gas-bearing reservoir. Figure 2 shows a cross section of the reservoir sequence. **Production testing in 1QCY22 resulted in gas flows to surface of 7.6MMcfd accompanied by condensate of approximately 40 bbls/MMcf.**

The flow rate and well data resulted in Buru being assigned a 1C Contingent resource of 85 Bcf and 1.8MMbbls of associated condensate, and a 2C contingent gas resource of 220Bcf. The 1C resource is sufficient to produce 14MMcfd of gas and 250bpd of liquids, over twenty years, from two wells. Target customers are nearby mine-sites and regional communities which are currently powered by expensive imported diesel, or LNG trucked from the Pilbara gas plants.

The financial impact of an initial small-scale gas-to-power or gas-to-liquids (LNG) project in the Kimberly region is material.

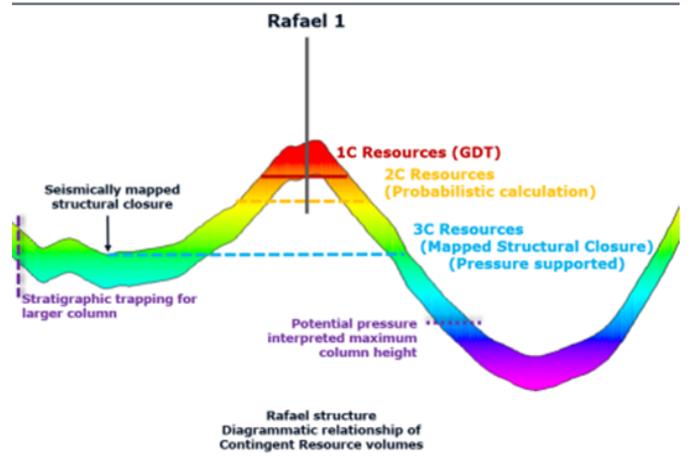
**Buru states in its ASX release on 21 January 2025, that " a Kimberly based gas and liquids business will generate long term annual cashflows from late 2027 in excess of Buru's market capitalisation".** Our analysis confirms the quantum in broad terms, based on current whole-sale gas and liquids prices in the Kimberly region.

**Figure 3: Rafael well location, Canning Basin WA**



Source: Buru Energy

**Figure 4: Rafael schematic cross section**



Source: Buru Energy

### Ungani re-start: strategically important

Buru are in discussions with third parties to re-start the Ungani oil field. The objective is reduce crude transportation costs and if so, justify a resumption of production.

A restart is not material to our valuation, however it would have strategic benefits to Buru in (1) deferring future abandonment liabilities (2) and providing an operational footprint to aid a Rafael development. The field and its facilities have all permits and approvals to facilitate operations, and process potential future Rafael gas-liquids.

The Ungani oil field was shut-in in January 2023, after weather events washed-out the state-owned road connecting the field to the export facilities at Wyndham. Following repair to the road in late CY2023, operations have not resumed, mostly due to the economics of long-distance trucking to Wyndham, involving a 3-day turn-around. At the time, the Ungani field was producing at ~450bopd but needed ~400bopd to recover fixed and variable transport costs. Solutions being considered are for alternative lower cost transport routes.

## Valuation A\$0.29 (\$0.30 previously)

MST's valuation is a sum-of-parts which is predominantly for a small scale Kimberly gas project fed by the Rafael gas field, but risked at 75% to capture uncertainty as to timing, capex and opex costs and other input assumptions. We assign minimal value and /or no value to assets to be divested and the reduced acreage position. Cash and balance sheet are as at 31 December 2024. Refer to figure 5.

Figure 5: Sum-of-part valuation

Asset Value (A\$M)	Method	Unrisked	A\$M	CPS	Risk	A\$M	CPS
<b>Core E&amp;P assets</b>		<b>Unrisked NAV</b>			<b>Risked NAV</b>		
Ungani 2P	Farm-out	100%	4	0.00	50%	2	0.00
Rafael Kimberly power	DCF to 2047	100%	260	0.33	75%	195	0.25
Net Cash	31-Dec-24		8	0.01		8	0.01
<b>Core E&amp;P Value</b>			<b>271</b>	<b>0.35</b>		<b>204</b>	<b>0.26</b>
<b>New Ventures &amp; Other</b>							
Rafael 2C	\$/Gje	100	68	0.09	50%	34	0.04
Yulleroo tight gas	Option value		0	0.00		0	0.00
GeoVault CCS	Marker peer value		0	0.00		0	0.00
2H Resources H / He	Market value, GHY peer		15	0.02	50%	8	0.01
Exploration			0	0.00	20%	0	0.00
Corporate costs			-21	-0.03		-21	-0.03
<b>Total new Ventures</b>			<b>62</b>	<b>0.08</b>		<b>20</b>	<b>0.03</b>
<b>Total equity value</b>			<b>332</b>	<b>0.43</b>		<b>225</b>	<b>0.29</b>
<b>Shares on issue</b>			<b>779</b>			<b>779</b>	
<b>Value Per share</b>			<b>0.43</b>				<b>0.29</b>

Source: MST Access

- Our value for the Rafael Kimberly gas project is based Buru's plan for a small-scale production facility to serve gas and power markets in the Kimberly region, exploiting the 1C contingent gas resource. We risk hypothetical future cashflows at 75% due to uncertainty.
- We assign value to the portion of Rafael 1C and 2C gas resource that is not committed to the initial Kimberly project, at 20c/GJe.
- Canning Basin tight gas in Yulleroo is potentially valuable if technologies, capital costs and gas markets align to enable an unlocking of value but until these elements are determined, we assign nil value.
- Ungani oil field restart activity, and potential drilling of the Mars prospect provides upside. Our \$1M valuation is small in context to field reserves at shut-in of ~0.7MMbbls. Key to realising value is a solution to the high marketing and transport costs, and a resumption in production.

### Risk Factors

- Access to funds is a risk. Buru will require capital for Rafael appraisal and future development. Buru will be reliant on external sources for funds, and industry participants until production cashflows are established.
- Our value for the Rafael gas project assumes a farm-out to progress the project. There is risk that Buru may not be able to secure a partner.
- Appraisal drilling of Rafael planned for CY2025, and re-testing of Rafael-1, may result in low size outcomes which would negatively impact development options and value.
- Commercial development of Rafael would require market opportunities to sell gas, and related products, at prices which are volatile.
- Buru is a fossil fuel company, and in general faces increasing pressure from sections of society and Government. Social or Government opposition may delay or defer development.

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Stuart Baker received assistance from the subject company or companies in preparing this research report. The company provided them with communication with senior management and information on the company and industry. As part of due diligence, they have independently and critically reviewed the assistance and information provided by the company to form the opinions expressed in this report. They have taken care to maintain honest and fair objectivity in writing this report and making the recommendation. Where MST Financial Services or its affiliates has been commissioned to prepare content and receives fees for its preparation, please note that NO part of the fee, compensation or employee remuneration paid has, or will, directly or indirectly impact the content provided in this report.

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Buru Energy (BRU.AX) | Price A\$0.048 | Valuation A\$0.290;

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