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**ASX ANNOUNCEMENT (ASX: BRU)** **17 DECEMBER 2012**

# Ungani Field Production Update
# Volumetric Resources Statement for the Ungani Field
# Contingent Resources Ungani North

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Buru Energy Limited ("**Buru**" or the "**Company**") is pleased to provide the following update on the Company's continuing operations at the Ungani EPT, together with preliminary volumetric resource estimates for the Ungani Field and Ungani North.

## Highlights

- Production performance at Ungani is very encouraging and confirms the high quality of the reservoir and the ultimate production potential of the Field.
- Preliminary independent volumetric estimate by RISC of 9.9 million barrels of gross 2C contingent resources in the Ungani Field (Buru interest 50%), a 1.9 million barrel increase on previous estimates from production data. Further upside potential of to up to 20 million barrels to be determined from completion of the 3D seismic survey and further appraisal drilling and flow testing in 2013.
- Ungani crude benchmarking further advanced, with Malaysian crude selling at $5 to $9 a barrel above Brent seen as appropriate marker.
- Independent estimate of Ungani North by RISC of gross 2C contingent resources in Ungani Dolomite of ~6 million barrels of oil (Buru interest 50%). Further upside potential to be determined from ongoing evaluation and results of flow testing in 2013. This estimate does not take into account the oil and gas potential in the deeper Nullara section which could add further resources, subject to ongoing evaluation and testing.

## Excellent production performance of Ungani Field

As set out in the monthly operations update on Friday 14 December, the Ungani Field produced at an average rate of 464 barrels of oil per day ("**bopd**") from the Ungani 2 well during November. This is in excess of the planned EPT rate of some 400 barrels of oil per day, and is a purposely constrained flow rate during the EPT. The flow rate for the Field on full production continues to be expected to be at the planned rate of 5,000 bopd. The current production rate is a pleasing result in terms of both the performance of the reservoir and of Buru's operational capacity to handle higher than expected oil production.

The performance of both the Ungani 1 and Ungani 2 wells is influenced by the fact that they were completed for production prior to the excellent quality of the reservoir being fully evaluated, and consequently they have not been set up to optimise long term production rates. The Ungani 1 well has no effective isolation from the underlying water zone, and the base of the Ungani 2 well completion is close to the oil/water interface. This means that both wells have been predicted and expected to produce water relatively early on in their productive life, but that future production wells will be designed to maximise oil production and defer water production for as long as possible.

One of the objectives of the Ungani 2 well completion and test was to attempt to produce water at different flow rates to obtain a better understanding of the reservoir behaviour. During the November production phase this was successfully achieved, with produced water rising to between 30% and 38% percent of total fluid flow. This behaviour is completely as expected, it matches optimistic modelling results and it demonstrates the excellent quality of the reservoir.

Since the end of November, without any change in surface operational settings, the Ungani 2 oil rate has begun to increase and water cut has begun to decrease. The well is currently producing over 600 bopd at steady pressure on an unchanged constrained 34/64 inch choke setting. This is obviously a very pleasing performance.

It should also be clearly understood that the water cuts in the Ungani 1 and 2 vertical wells are particular to those wells and how they are completed, and that any water influx in those wells is not material in relation to the ultimate recoverable reserves of the field and the planned production profiles for full field development. RISC's resource estimates of the Ungani Field take into account the performance of the Ungani 1 and Ungani 2 wells observed to date.

The results to date indicate that, as initially modelled, and in common with other fields with high quality reservoirs, horizontal production wells drilled along the top of the reservoir for lengths up to 2,000 metres will be capable of high oil production rates at low water cuts for extended periods. It is therefore expected that the Field will be able to be developed with between two and four horizontal wells. Once the full field development plan is finalised, the Ungani 1 and 2 vertical wells can be converted to horizontal wells or recompleted to a more optimal configuration.

## Volumetric Estimates

Buru's initial volumetric estimates of recoverable resources for the Ungani Field were between 5 and 20 million barrels. These volumes were calculated from Buru's interpretation of the existing sparse 2D seismic data and Buru's interpretation of the reservoir data from the Ungani 1 and 2 wells.

As previously reported, the initial analysis of the pressure data obtained to the date of the last shut in period during October suggested a minimum recoverable resource of some 8 million barrels, with further data and appraisal well intersections being needed to effectively quantify the upside from the 8 million barrels seen by the current wells. These analyses also indicated that the current production rates and produced volumes were likely to lead to water cuts similar to, or greater than, those that are currently being seen.

Refinement of the volumetric estimate was expected to happen after the 3D seismic data was acquired this year. Due to the delay in the acquisition of the 3D seismic, it was decided to have Buru's existing volumetric estimates independently reassessed by RISC. RISC has now completed a preliminary volumetric estimate of the Ungani Field recoverable resources.

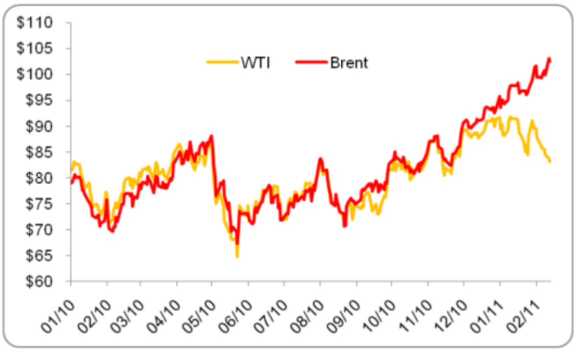
RISC's independent estimate using probabilistic methods, on the basis of the currently available volumetric data, including RISC's mapping of the existing sparse 2D seismic data, and their interpretation of the petrophysical data from the wells, is of a gross 2C contingent resource of 9.9 million barrels (Buru interest 50%).

RISC's independent analysis supports the resource range estimated by Buru and leaves the upside case to be determined by additional seismic data and appraisal wells.

## Ungani Crude Price

The Ungani crude is of high quality, and a grade that is highly sought after by Asian and local refineries. The Company has been informed by crude traders that an appropriate benchmark for the Ungani crude is Kikeh, a Malaysian crude that sells for a premium to Brent of between $5 and $9 per barrel. Brent prices are widely used as a benchmark outside the US because of the depressed WTI price resulting from the extraordinary rise of unconventional (shale) oil production in the US, which means that WTI is now essentially a locally priced crude in the US.

*Comparison of WTI and Brent prices*



It is expected that once the currently planned export system for Ungani is established in the northwest, a sales price for Ungani crude that is at a premium to Brent should be able to be consistently achieved.

**Ungani North Contingent Resource**

The Ungani North 1 well has encountered an interpreted oil column of up to 46 metres in the top of the Ungani Dolomite. Log data indicate that the reservoir is poorer quality than Ungani, and flow testing will be required to demonstrate commercial production, however, sufficient data have been obtained to provide an initial assessment of the contingent resources in the structure. RISC has also assessed the Ungani North area, and has estimated that on the current data, the gross 2C contingent resources in Ungani North are approximately 6 million barrels. The estimates are expected to be updated following a satisfactory flow test with potential for further upside.

RISC has not assessed the significant oil and gas shows seen in the deeper Nullara section of the well. Logs indicate the potential for conventional porosity to be developed in these zones, however, flow testing will be required to assess this potential.

Commenting on these results, Buru's Executive Director, Eric Streitberg, said:

> *"The Ungani results to date are extremely encouraging. I have personally been involved in many oil field developments, and the production rates, the flowing well pressures, and the quality of both the reservoir and the oil, are as good as anything I have seen. We have already produced over 60,000 barrels of oil and we are still in the very early test production stage. We have a clear plan to develop the field to its full extent, and are working very hard in the background to achieve that in a reasonable time frame.*
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> *In the meantime we are also working up the drilling program for next year with the new seismic we acquired over Yakka Munga and Ungani East confirming some very exciting targets."*

Further information on the Company is available at: www.buruenergy.com

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**Competent Persons Statement**
Information on the Resources in this release is based on an independent evaluation conducted by RISC Operations Pty Ltd (RISC), a leading independent petroleum advisory firm. The evaluation was carried out under the supervision of Mr Geoffrey J Barker, Partner, in accordance with the SPE-PRMS guidelines. Mr Barker's qualifications include a Master of Engineering Science (Petroleum Engineering) from Sydney University and more than 25 years of relevant experience. Mr Barker consents to the inclusion of this information in this report.

**About RISC**
RISC is an independent advisory firm that works in partnership with companies to support their interests in the oil and gas industry. RISC offers the highest level of technical, commercial and strategic advice to clients around the world. RISC services include the preparation of independent reports for listed companies in accordance with regulatory requirements. RISC is independent with respect to Buru in accordance with the Valmin Code, ASX listing rules and ASIC requirements.