

# Quarterly Report

Period ended 30 June 2020



Buru Energy Limited (Buru) provides the quarterly report for the period ended 30 June 2020.

## Highlights

### Ungani Oil Production and Sales

- Oil production for the quarter of ~112,000 barrels (gross) at an average rate of ~1,230 barrels a day
- Oil sales for the quarter of ~77,000 barrels (gross) from a lifting in May with a further ~75,000 barrels (gross) lifted in mid July
- ESP currently being installed in Ungani 7 to increase production rate from the well

### Exploration

- Strong interest continues to be shown in the current farmout process
- Comprehensive review of the Canning Basin exploration portfolio continuing
- Forward well planning progressing
- New company activity in the Canning with positive benefits for Buru and the Basin

### Corporate

- Oil sales continue to provide positive revenue
- In response to the oil price weakness and COVID-19 restrictions, corporate and admin expenditure significantly reduced, and all discretionary capital and exploration expenditure deferred
- Balance sheet remains strong with cash and cash equivalents balance of \$25.4 million

## Ungani Oilfield

*(L20/L21 - Buru Energy 50% and operator)*

### Production

Production from the Ungani Oilfield for the quarter totalled ~112,000 bbls (gross) at an average daily rate over the period of ~1,230 bopd (March quarter ~88,000 bbls at ~970 bopd). The June quarterly production was higher than the previous quarter as the March quarter had been affected by a number of short-term closures of the Ungani access road from normal wet season rainfall in January and February.

During the very significant fall in global crude prices during March and April, the Joint Venture carefully evaluated whether a temporary suspension of production from Ungani would be prudent. Field operating costs were reduced as far as practicable and with the partial recovery in global crude prices, the JV was able to continue production throughout the quarter. The COVID-19 management protocols also had no material effect on the Company's operational capability in line with the Company's operations being staffed locally with no FIFO staff, and not in the proximity of any Kimberley remote Aboriginal communities.

Ungani crude oil continues to be trucked to CGL storage Tank 10 at Wyndham Port prior to its FOB sale. With all currently configured wells online, field production capacity is ~1,100 bopd. Operations are currently underway to install an electric submersible pump (ESP) in

Ungani 7 to increase production from the well. The installation of ESP's is a routine operation, and ESP's have been proven to be very reliable and effective in the Ungani 1ST1 and Ungani 2 wells. A workover is also planned to recomplete the Ungani Far West 1 well to allow access to the Reeves Formation pool in that well as well as the Ungani Dolomite section. All other non-essential capital expenditure on the Ungani Oilfield has been deferred beyond this calendar year. A technical and commercial analysis of the potential for drilling additional wells on the Ungani Oilfield will be undertaken during the next quarter.

## Sales

Ungani crude sales for the quarter totalled ~77,000 bbls (gross) from a lifting in May, which was the final lifting under the previous Petro-Diamond Singapore Pte Ltd (PDS) offtake contract. The lifting from CGL storage Tank 10 at Wyndham Port was completed on 13 May 2020 by the Maersk Malaga providing a cash inflow for Buru's 50% share of ~A\$1.5 million.

A further lifting of Ungani crude from CGL storage Tank 10 at Wyndham Port was completed subsequent to the end of the quarter, on 16 July by the MT Magic Wand, for a total of ~75,000 bbls (gross - Buru's share 50%). This lifting was sold by the Joint Venture on a spot basis and consistent with sales under previous offtake agreements, the price received FOB Wyndham will be the realised average dated Brent oil price for the loading month, less the buyer's fixed marine transport discount. Under these terms Buru's 50% revenue share from the lifting is currently estimated at ~A\$1.6 million and will be invoiced on the average dated Brent price for the month of July.

The JV plans to continue to sell Ungani crude on a spot basis while it continues to review the potential for entering into another longer term offtake agreement. The next lifting is expected to be in early October allowing for continued production optimisation activity at the Ungani Oilfield including time offline of the Ungani 7 well to install the ESP.



*Ungani crude lifting at Wyndham in May by the Maersk Malaga*

## Exploration

### New Ventures and Farmout

The current farmout process is progressing well with various parties accessing the virtual data room. Following the progressive relaxation of COVID-19 related restrictions, locally based interested parties have also been able to physically attend Buru Energy's office to access the geophysical data base. Given the amount of data available on Buru's basin wide acreage portfolio and the wide variety of opportunities on the acreage, a thorough evaluation of the data is taking interested parties some time, especially given the restrictions that current COVID-19 protocols have placed on companies. Given the progress of the process the Company remains confident that a farmout will be able to be achieved in a timeframe that fits with 2021 drilling activity.

Additional technical work is being undertaken on the newly identified play types to complement the current prospect portfolio. Planning for a 2021 work program to include a nominal three well drilling program and an extensive regional and prospect scale seismic program is also underway.

It has also been recently reported that a US independent company (Black Mountain Exploration) intends to undertake an extensive evaluation of the liquids rich unconventional gas resources on EP 371 on the eastern side of Canning Basin including drilling a number of wells and undertaking a frac program. Buru was a participant in, and operator of, EP 371 and safely undertook extensive fracs on the Valhalla North 1 and Asgard 1 wells prior to undertaking an acreage swap with Mitsubishi Corporation by which Mitsubishi acquired Buru's 50% interest in EP 371. Mitsubishi subsequently sold their 100% interest in the permit to Black Mountain Exploration. This planned program is a welcome and important development as the Canning Basin contains very substantial unconventional gas resources including Buru's 100% interest in the proven Yulleroo Gasfield.

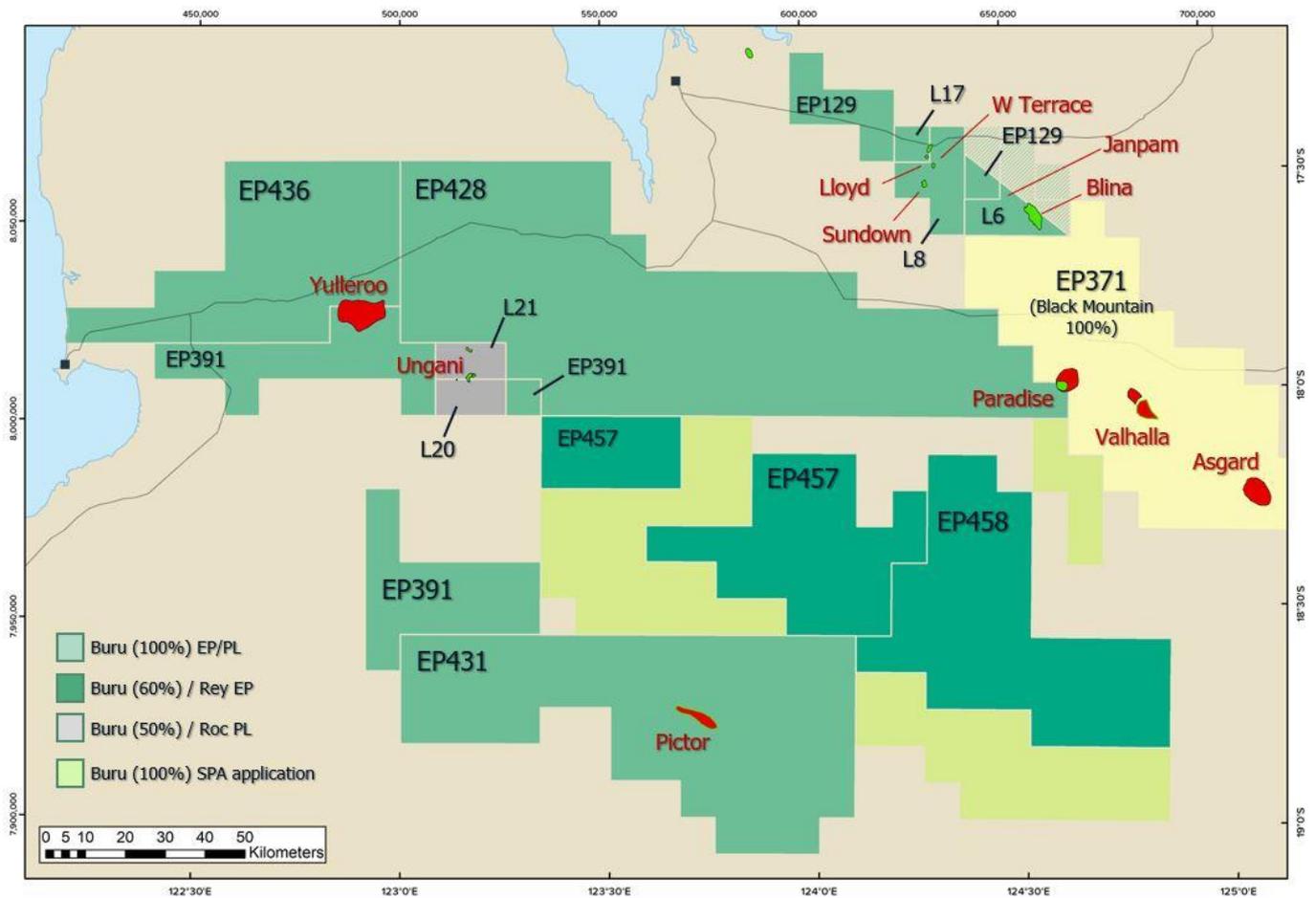
### **Yulleroo Gasfield** (*EP 391 & EP 436 - Buru Energy 100%*)

The Yulleroo Gasfield has four wells that have identified an independently certified major gas resource in tight sands including one well (Yulleroo 2) on which a proof of concept frac was undertaken in 2010. There are also a number of zones in the wells that have the potential for unstimulated gas production, and a review of the potential to test these zones is ongoing. The geological characteristics of the Laurel Formation at Yulleroo are very similar to those on the EP 371 permit, with success in the EP 371 programs being very significant for the commercial potential of the Yulleroo Gasfield.

Current feasibility studies for the establishment of a major solar power precinct at Yulleroo with "gas firming" from unstimulated zones in the current wells will be progressed with the objective of finalising a pre-feed study later in 2020.

### **Blina Oilfield** (*L6 - Buru Energy 100%*)

The Blina Oilfield remains shut-in while further technical evaluation is undertaken. Production testing and pressure data obtained in 2019 has indicated that there may be considerable conventional oil resources remaining in the field. Activity to verify this will be undertaken when oil prices are sufficiently stable to justify the investment.



Permit and Licence interests-

## Corporate

The Company quickly responded in the previous quarter to the unprecedented global situation arising from the COVID-19 pandemic and its effect on the global economy by reducing corporate and operational costs where possible. The Company's corporate and office staff including the Executive Chairman and the Board have had their remuneration reduced by between 20% and 75% throughout the June quarter with a further review in the next quarter to reflect the then current economic and corporate circumstances and employee duty levels. Other non-personnel overheads have also been reduced to the full extent practicable.

The Company has no material exploration permit obligations and has deferred all discretionary expenditure including non-essential capital expenditure on the Ungani Oilfield. These measures have ensured the balance sheet remains strong with \$25.4 million in cash and cash equivalents as at 30 June 2020.

In common with other companies in the sector, the Company is currently conducting a detailed review of the carrying value of the Ungani Oilfield on its balance sheet as part of its impairment testing in accordance with International Financial Reporting Standards. Preliminary assessments indicate that the asset is unlikely to recover its carrying value in full and a non-cash impairment will likely be recorded in the 30 June 2020 half year accounts. Any impairment will be subject to review from the Company's external auditors (KPMG) and approval by the Buru Board.

## Financial

As stated above, the Company's balance sheet remains strong with ~\$25.4 million in cash and cash equivalents as at 30 June 2020 with the majority of cash outflows during the quarter related to the ~\$3.5 million in net trade payables and accruals recorded and disclosed in the March quarterly report. The remaining loan liability to Alcoa of \$2 million plus interest is due on 31 December 2020. The ASX Appendix 5B attached to this report contains the Company's cash flow statement for the quarter which is summarised as follows:

Cashflows	June 2020 Quarter	Year to date 2020
<b>Opening cash</b>	<b>\$30.1m</b>	<b>\$32.4m</b>
Production (net)	(\$1.1m)	\$2.4m
Development	(\$2.2m)	(\$4.9m)
Exploration	(\$0.9m)	(\$3.3m)
Administration and Corporate	(\$0.5m)	(\$1.2m)
<b>Total cash outflow</b>	<b>(\$4.7m)</b>	<b>(\$7.0m)</b>
<b>Closing cash</b>	<b>\$25.4m</b>	<b>\$25.4m</b>

### Production:

Production recorded a net cash outflow for the June quarter of \$1.1m due to the timing of liftings from CGL Tank 10 at Wyndham Port as well as payables and accruals carried over from the March quarter. Only one lifting was undertaken during the quarter (May), with liftings prior in March and subsequent in July. Production cash inflows therefore only included Buru's receipts from its share of the ~77,000 bbls lifted in May totaling ~\$1.5m. As disclosed in the March quarterly, a \$0.5m cash outflow for the true up with the buyer of the March lifting was paid in April and reflected in the June quarterly production cash flows. This reduced the cash inflows from Ungani production recorded in the Appendix 5B to ~\$1.0m. Cash outflows for Ungani production totaled approximately \$2.1m and included trade payables recorded at 31 March relating to the March lifting including: throughput charges, wharfage and royalties as well as the cash costs associated with the lifting in May. For the six months ended 30 June 2020, production has recorded a net cash inflow of \$2.4m.

### Development:

The majority of the development cash outflows related to the coil tubing operations at Ungani 6H during March with a large proportion of those costs accrued in the March quarter and paid in the June quarter. The Ungani development cash outflows are expected to decrease significantly for the remainder of the calendar year with the deferral of all non-essential capital expenditure, other than the planned installation of an ESP in Ungani 7 and the planned recompletion of Ungani Far West 1.

### Exploration:

Exploration cash outflows comprise ongoing expenditures relating to desktop geological and geophysical work, asset integrity and Traditional Owner engagement. These cash outflows have been significantly reduced from prior quarters with the deferral of all discretionary exploration expenditure and reduced staff remuneration and numbers.

### Corporate and Admin:

Corporate and admin cash outflows have been significantly reduced from prior quarters in accordance with the decisive actions taken to preserve the company's balance sheet.

## Schedule of interests in permits as at 30 June 2020

<u>Permit</u>	<u>Type</u>	<u>Ownership</u>	<u>Operator</u>	<u>Location</u>
L 6*	Production licence	100.00%	Buru Energy Ltd	Canning Basin, WA
L 8	Production licence	100.00%	Buru Energy Ltd	Canning Basin, WA
L 17	Production licence	100.00%	Buru Energy Ltd	Canning Basin, WA
L 20	Production licence	50.00%	Buru Energy Ltd	Canning Basin, WA
L 21	Production licence	50.00%	Buru Energy Ltd	Canning Basin, WA
EP 129*	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP 391	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP 428	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP 431	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP 436	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP 457	Exploration permit	60.00%	Buru Fitzroy Pty Ltd	Canning Basin, WA
EP 458	Exploration permit	60.00%	Buru Fitzroy Pty Ltd	Canning Basin, WA

\* Excluding the Backreef Area.

This ASX announcement has been authorised for release by the Buru Board of Directors.

For further information, visit [www.buruenergy.com](http://www.buruenergy.com) or contact:

Eric Streitberg, Executive Chairman

Telephone: +61 8 9215 1800

Freecall: 1800 337 330

Email: [info@buruenergy.com](mailto:info@buruenergy.com)

## **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 and operates 50% of its flagship high quality conventional Ungani Oilfield project and 100% of its potentially world class tight gas resources and exploration areas.

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.

## **Forward Looking Statements**

This document has been prepared by Buru Energy Limited ABN 71 130 651 437 ("Buru Energy"). This document contains certain statements which may constitute "forward-looking statements". It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including, but not limited to:

Price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve and resource estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delays or advancements, approvals and cost estimates.

Buru Energy's operations and activities are subject to regulatory and other approvals and their timing and order may also be affected by weather, availability of equipment and materials and land access arrangements, including native title arrangements.

Although Buru Energy believes that the expectations raised in this document are reasonable there can be no certainty that the events or operations described in this document will occur in the timeframe or order presented or at all.

No representation or warranty, expressed or implied, is made by Buru Energy or any other person that the material contained in this document will be achieved or prove to be correct. Except for statutory liability which cannot be excluded, each of Buru Energy, its officers, employees and advisers expressly disclaims any responsibility for the accuracy or completeness of the material contained in this document and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this document or any error or omission there from. Neither Buru Energy nor any other person accepts any responsibility to update any person regarding any inaccuracy, omission or change in information in this document or any other information made available to a person nor any obligation to furnish the person with any further information.

All dates in this document are for calendar years. All references to \$ are in Australian currency, unless stated otherwise.

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

<b>BURU ENERGY LIMITED</b>
----------------------------

ABN

71 130 651 437

Quarter ended ("current quarter")

30 June 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	947	6,263
1.2 Payments for		
(a) exploration & evaluation	(937)	(3,340)
(b) development	(2,191)	(4,946)
(c) production	(2,064)	(3,858)
(d) staff costs	(404)	(990)
(e) administration and corporate costs	(183)	(464)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	96	231
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(4,736)</b>	<b>(7,104)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	-	-
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	-	-
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	30,143	32,417
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,736)	(7,104)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(40)	54
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>25,367</b>	<b>25,367</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	3,654	5,431
5.2	Term deposits	21,713	24,712
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>25,367</b>	<b>30,143</b>

**6. Payments to related parties of the entity and their associates**

6.1	Aggregate amount of payments to related parties and their associates included in item 1	115
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter  
\$A'000**

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Amounts included in 6.1 are remuneration payments made to Directors

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. <b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities (Alcoa)	2,000	2,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>2,000</b>	<b>2,000</b>

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

**Alcoa Loan**

The Alcoa liability of \$2,000,000 will be payable on or before 31 December 2020.  
The loan remains unsecured and subject to an agreed interest rate of 5% per annum.

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(4,736)
8.2 Payments for exploration & evaluation classified as investing activities (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(4,736)
8.4 Cash and cash equivalents at quarter end (item 4.6)	25,367
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	25,367
<b>8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	<b>5</b>
<i>Note: if the entity has reported positive relevant outgoings (i.e. a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise a figure for the estimated quarters of funding available must be included in item 8.7.</i>	

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

---

**Mining exploration entity or oil and gas exploration entity quarterly cash flow report**


---

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

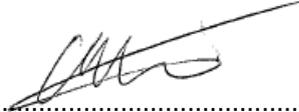
Answer: N/A

*Note: where item 8.7 is less than 2 quarters, all questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.*

### 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.

Date: 22 July 2020

Authorised by:   
 Shane McDermott – Chief Financial Officer and Company Secretary

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.