

Quarter Ended 30 June 2013

The directors of Buru are pleased to present this report for the quarter ended 30 June 2013.

Overview

The key operational activities during the quarter were:

- agreement with the Traditional Owners for operations to recommence at Ungani;
- planning for the full field development of the Ungani Field;
- planning for the 2013/2014 Appraisal and Exploration Program; and
- progressing the regulatory, Traditional Owner and joint venture approvals process for the 2013 and 2014 Appraisal, Exploration and Development Programs.

The key corporate activities for the quarter were:

- the sale of interests in in EP 457 and EP 458 in the Canning Superbasin for \$21.1 million;
- the State Agreement being granted by the Western Australian Parliament; and
- management changes and continued building of operational and exploration capability.

Financial

The ASX Appendix 5B attached to this report contains the Company's cash flow statement for the quarter. The material elements of the cash flow in the period were:

- exploration expenditure of \$6.3 million for the quarter (Mar 2013: \$4.7 million), the majority of which are costs associated with drilling operations at the Yulleroo 4 and Cyrene 1 wells and the costs of ongoing technical review and project management of the 2013 Appraisal and Exploration Program;
- sale proceeds of \$21.1 million on completion of the sale of interests in EP 457 and EP 458; and
- administration and corporate costs of \$2.6 million (Mar 2013: \$3.4 million). The level of costs reflects the staff and organisational structure required for the development of the Ungani Field and the conduct of the 2013 Appraisal and Exploration Program.

The Company recorded a net cash inflow of \$13.0 million (before exchange rate adjustments) for the quarter (Mar 2013: net cash outflow of \$8.7 million).

At the end of the quarter the Company had net cash reserves of \$45.4 million (Mar 2013: \$32.6 million).

The Company is forecasting the following cash flows in the September 2013 quarter:

- **Exploration** – \$8 million of exploration costs are estimated to be payable in the Sep 2013 quarter, the majority of which are costs related to planned 2D seismic programs and airborne gravity surveys.
- **Development** - \$6 million is estimated to be payable in the Sep 2013 quarter, being Buru's share of Ungani planning and development activities.
- **Administration and corporate** – \$2.5 million in administration and corporate costs are estimated to be payable in the Sep 2013 quarter, consistent with previous quarters.

Production and Development

Ungani Oil Field

The Ungani Oil Field was shut-in during the previous quarter after sufficient production and reservoir data for more definitive estimates of potential recoverable oil volumes and necessary operational data was obtained during the initial testing phase.

During the quarter, following extensive consultation and negotiations between Buru and representatives of the Nyikina Mangala and Karajarri Traditional Owners, Buru and the Nyikina Mangala and Karajarri Traditional Owners reached an agreement which provided a process by which Buru and the relevant Traditional Owners may engage, in relation to Buru's activities in the Canning Basin, and in relation to the recommencement of Buru's exploration program, on certain terms.

As a result of this agreement, field activity in the Ungani area has been recommenced. The seismic crew has been remobilised to complete the 243 square kilometre Ungani 3D seismic survey, with line clearing operations having commenced after the end of the quarter and data acquisition expected to commence in mid-August.

The Ungani 3D survey will help confirm the oil volumes in the Ungani Oilfield, define optimal locations for development wells, and provide further information on the Ungani North oil discovery. At the moment the field only has a very loose grid of 2D seismic lines over it, so the potential size of the field has a wide range.

Continued activity was undertaken on planning for an alternative export route for oil from the Ungani Field. During the initial testing period, the produced oil was trucked to Kwinana and sold to the BP refinery where it was used to produce fuel for Western Australian consumption. Review of alternative export routes in the northwest is ongoing with the objective of having an alternative export system available as soon as practicable.

During the quarter, extensive analysis and planning was undertaken for the development of the field with a number of alternative scenarios under consideration. The final development plan is expected to be approved by the joint venture in the next quarter with the objective of a phased start-up of the field leading to full production during 2014.

As part of the preparations for the resumption of production from Ungani, planning for the workovers of the Ungani 1 and Ungani 2 wells to optimise production from these wells was also advanced. Planning for the testing of the Ungani North 1 well, using the equipment and personnel mobilised for the Ungani workovers was also advanced. Subject to all necessary approvals and the mobilisation of suitable equipment it is planned to undertake these well operations early in the fourth quarter.

Negotiations with the Traditional Owners in the area also continued with the objective of reaching appropriate agreements in line with the field development timetable.

Blina and Sundown Oil Fields

The Blina and Sundown oilfields remained shut-in during the quarter due to operational constraints. A review is continuing to consider options to maximise the value from these fields.

Drilling

The Company continued its structured process of preparing for the next phase of its drilling program, consolidating and reviewing its processes and learnings from the previous two years program.

Negotiations for a suitable drilling rig for the program were close to completion during the quarter with a number of commercial matters being resolved. There has been an excellent choice of rigs available and the Company is confident that it will have a rig with the capacity to undertake its planned programs including drilling horizontal wells at Ungani, and testing deep gas targets, as well as being quick and therefore cheap to move.

Exploration

The Company's exploration activities during the quarter focused on:

- planning, in conjunction with Mitsubishi Corporation (**MC**) for the 2013 and 2014 Appraisal and Exploration Programs; and
- progressing the regulatory, Traditional Owner and joint venture approvals process for the 2013 and 2014 Appraisal and Exploration Programs.

Planning for the 2013 and 2014 Appraisal and Exploration Programs

During the quarter the joint venture continued planning for the 2013/2014 Appraisal and Exploration Programs.

A key component of the drilling program will be Ungani style conventional oil exploration prospects along the Ungani trend. To support this program, it is planned that, subject to the finalisation of all approvals, the Terrex seismic crew will acquire a substantial amount of 2D data along the Ungani trend on completion of the Ungani 3D seismic program. Several very attractive conventional oil prospects have been identified along the trend and the additional seismic data will help to finalise drilling locations and build the prospect inventory.

Geological and Geophysical Projects

The significant conventional reservoir potential identified in the Yulleroo wells and the potential for conventional reservoirs contained in the Laurel BCGA to flow gas at high rates without stimulation means that these potential reservoirs are high priority exploration targets. Isis Petroleum Consultants has carried out a comprehensive review of the potential for the development of conventional reservoirs in the Laurel Formation, which has included the first systematic review of the structural evolution and depositional history of the Fitzroy Trough since the 1980's. Isis has now commenced work on the next phase of this review, which will include work on a detailed structural evolution and thermal maturity history of the Fitzroy Trough. The analysis has provided significant exploration insights into the basin and these will be applied to the next phase of exploration for Laurel BCGA resources.

Corporate

The key corporate activities for the quarter were:

- the sale of interests in EP 457 and EP 458;
- the State Agreement being granted by the Western Australian Parliament; and
- management changes and continued building of operational and exploration capability.

Sale of interests in EP 457 and EP 458

During the previous quarter Buru, MC and Rey entered into a transaction pursuant to which Buru would sell interests in exploration permits EP 457 and EP 458 (Fitzroy Blocks) in the Canning Superbasin to MC and Rey for a total cash payment to Buru of \$21.1 million. This transaction was settled during the quarter with Buru receiving the payment in full from MC and Rey.

As a result of this transaction the interests in the Fitzroy Blocks are:

- Buru 37.5% (Operator)
- MC 37.5%
- Rey 25.0%

The transaction facilitates exploration of these highly prospective areas with aligned partners, under joint venture arrangements that are consistent with the rest of the Joint Venture's acreage in the Canning Superbasin.

State Agreement being granted by Western Australian Parliament

The Natural Gas (Canning Basin Joint Venture) Agreement (**State Agreement**) which was signed by the State Government with joint venture partners, Buru Energy Limited and Mitsubishi Corporation in November last year, was passed by both houses of WA Parliament, has now been given Royal Assent, and has become an Act of Parliament.

The State Agreement:

- provides long term tenure over the Company's most prospective acreage for gas exploration and development;
- facilitates the development of a domestic gas project and pipeline; and
- ensures the potential of the Canning Basin to supply long term domestic gas security and appropriate development is realised in a way that benefits all stakeholders.

Under the State Agreement, the partners continue to be required to obtain all relevant State and Commonwealth environmental, safety, Aboriginal heritage and Native Title approvals for their exploration, development and infrastructure proposals.

Management changes and continued building of operational and exploration capability

The addition of the appropriate skills to ensure that the Company's current development activities are appropriately resourced and supported continued with the addition of further senior staff with high level operating and exploration expertise. The Company's community engagement, facilities, drilling, petroleum engineering and geoscience capabilities have also been enhanced, as well as the restructuring of the health and safety and environment teams to ensure the next phase of activity is properly resourced and delivered.

Subsequent to these changes and the strengthening of the management of the Company, Mr Eric Streitberg, an Executive Director of the company, has informed the Board of his planned transition from his current Executive Director role to a non-Executive Director role, with continued advisory responsibilities. The timing and form of this transition is currently being discussed by the Board and Mr Streitberg.

The transition will take place in a structured and orderly manner to ensure there is no adverse effect on the Company's operations, and that his knowledge of the Company and its operations continues to be available to the Board and management of the Company. This transition is part of the Board's succession planning process, with the Managing Director of the Company, Dr Keiran Wulff having been focused for the last six months on building capability, developing strong alignment with core stakeholders, and developing the long term work program and contracting strategy to take the Company forward.

As part of the process of transitioning the Company from exploration to production, the Board has also been engaged in the search for an additional non-executive director with the appropriate qualifications and experience, and expects to make such an appointment before the end of the next quarter.

Managing Director's Comments

The quarter was a very busy one for the Company as the preparations for resumption of the Ungani 3D and the drilling program were combined with the pre-development activities for Ungani. The resumption of the 3D seismic was also a welcome return to field operations with the preparations for resumption of production at Ungani also well advanced.

Preparations for the extensive activity planned for the remainder of 2013 and 2014 are nearing completion and we are looking forward to a major program of adding substantial value for all stakeholders.

Dr Keiran Wulff
Managing Director

Competent Persons Statement

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 38 years of relevant experience. Mr Streitberg consents to the inclusion of the information in this report.

Glossary

Bopd
Buru or the Company
BCGA
DMP
EPT
FDP
Mitsubishi
Rey

Barrels of oil per day
Buru Energy Limited (ASX code: BRU)
Basin Centred Gas Accumulation
Western Australian Department of Mines and Petroleum
Extended production test
Full field development plan
Mitsubishi Corporation
Rey Resources Limited

Buru Energy Limited
ABN 71 130 651 437

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

BURU ENERGY LIMITED

ABN

71 130 651 437

Quarter ended ("current quarter")

30 June 2013

Consolidated statement of cash flows

	Current quarter \$A ('000)	Year to date (12 months) \$A ('000)
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	1,699	9,044
1.2 Payments for		
(a) exploration & evaluation	(6,270)	(33,952)
(b) acquired exploration	21,059	(14,941)
(c) development	(952)	(2,134)
(d) production	(374)	(5,248)
(e) administration	(2,589)	(11,948)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	783	2,876
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Payments for restoration to existing producing assets	-	-
1.8 Joint venture partner's share of technical and administrative expenditure	-	3,740
Net operating cash flows	13,356	(52,563)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) fixed assets	(350)	(2,670)
1.9 Proceeds from sale of:		
(a) fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (Investments)	-	-
Net investing cash flows	(350)	(2,670)
1.13 Total operating and investing cash flows (carried forward)	13,006	(55,233)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	13,006	(55,233)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	39,296
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Loan pursuant to the employee share acquisition scheme	-	402
Net financing cash flows		-	39,698
Net increase (decrease) in cash held		13,006	(15,535)
1.20	Cash at beginning of quarter/year to date	57,671	86,235
1.21	Exchange rate adjustments to item 1.20	(11)	(34)
Cash at end of quarter including cash held in escrow		70,666	70,666
Less cash held in escrow		(25,229)	(25,229)
1.22	Cash at end of quarter	45,437	45,437

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A
1.23	Aggregate amount of payments to the parties included in item 1.2	389,446
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
N/A		

Non-cash financing and investing activities

2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
<p>Buru Energy Ltd (“Buru”) and Alcoa of Australia Ltd (“Alcoa”) have agreed to escrow \$20,000,000 and interest thereon in partial satisfaction of Buru’s obligations to repay a \$40,000,000 gas prepayment made by Alcoa. These financial obligations crystallise if Buru does not deliver gas under the gas sales agreement between Alcoa and Buru from gas supplied from the Canning Basin or elsewhere, with repayment obligations being in three equal annual instalments commencing 31 December 2015. This cash balance in escrow has received interest totalling \$5,229,050 taking the total escrowed cash balance to \$25,229,050.</p>	

2.2	Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest
	N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A	Amount used \$A
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		\$A ('000)
4.1	Exploration and evaluation	8,000
4.2	Development	6,000
4.3	Production	-
4.4	Administration	2,500
	Total	16,500

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A ('000)	Previous quarter \$A ('000)
5.1 Cash on hand and at bank	29,261	6,868
5.2 Deposits at call	16,176	25,739
5.3 Bank overdraft	-	-
Total: cash at end of quarter (item 1.22)	45,437	32,607
Cash held in escrow	25,229	25,064
Total: cash at end of quarter including cash held in escrow	70,666	57,671

Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter	
6.1	Interests in mining tenements relinquished, reduced or lapsed	EP457 EP458	Reduction in interest in EP457 on 23 May 2013. Reduction in interest in EP458 on 23 May 2013.	90% 90%	37.5% 37.5%
6.2	Interests in mining tenements acquired or increased	L17	L17 was granted on 10 April 2013.	0%	100%

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)	
7.1	Preference securities (description)	N/A	N/A	N/A	N/A
7.2	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3	+Ordinary securities	274,036,429	274,036,429	N/A	N/A
7.4	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5	+Convertible debt securities (description)	N/A	N/A	N/A	N/A
7.6	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through securities matured, converted	-	-	-	-
7.7	Options (description and conversion factor)			Exercise price	Expiry date
		947,000	-	\$1.24	31 Dec 2013
		1,339,800	-	\$4.04	31 Dec 2014
		180,000	-	\$4.13	31 Dec 2014
		<u>2,466,800</u>			
7.8	Issued during quarter	-	-	-	-

Appendix 5B
Mining exploration entity quarterly report

7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	30,000	-	\$1.24	31 Dec 2013
		196,000	-	\$4.04	31 Dec 2014
7.11	Debentures <i>(totals only)</i>	N/A	N/A		
7.12	Unsecured notes <i>(totals only)</i>	N/A	N/A		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: Date: 31 July 2013
Chris Bath
Chief Financial Officer and Company Secretary

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 Issued and quoted securities; the issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.