



Buru Energy Limited

Date of Lodgement: 18/04/13

Title: "Company Insight – Update on operations and forward plans"

Highlights of Interview

- Positive results from recent wells and Ungani production testing
- Forward program planning well advanced
- Funding for 2013 in place

Record of interview:

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Buru Energy Limited (ASX code: BRU, market capitalisation of ~\$600 million) recently announced the completion of the Yulleroo 4 well. Can you provide some details on the results of that well?

Executive Director, Eric Streitberg

Yulleroo 4 was very successful, it was drilled on time and on budget, and in our view has proved that the Laurel Formation at Yulleroo is part of the wider Basin Centered Gas System. RISC, Buru's independent consultants, have told us that they think there could be more than 6 TCF of recoverable gas net to Buru in the greater Yulleroo area, and Yulleroo 4 was an important confirmation of this potential.

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You have also just announced that you have completed the Ungani Oilfield production test. What did the test tell you, and why did you stop the test?

Executive Director, Eric Streitberg

The Ungani Oilfield has turned out to be a Goldilocks field – it is just right.

The test confirmed the wells have great oil deliverability, that there should be just the right amount of gas with the oil, the oil quality is excellent, pressure support is very good - so the wells will produce for an extended period without pumping, and the field is close enough to the all-weather black top road for reliable all year operations.

In a more precise sense, RISC have interpreted the pressure and production data from the test and believe this has told us that it confirms that in the relatively small part of the structure the wells are producing from, there is at least 10 million barrels of recoverable oil. From our seismic mapping and interpretation, we at Buru believe there is potential for a lot more oil in the rest of the structure.

We produced just over 100,000 barrels of oil during the test, and our engineers told us there was really no more data we needed, to make the decision to proceed to a permanent development from the test phase. We will also realise a much higher cash margin for barrels we produce through the permanent facilities than we were making during the test, so we took the decision to shut the test down.

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Are you able to give some more details on the planning for full field production at Ungani now you have the data from the test?

Executive Director, Eric Streitberg

This is a very high priority for us. We want to get Ungani up and running at full production as soon as we can. There are no real operational issues that we have identified, so we won't need any expensive high tech equipment. The main cost is going to be for additional wells and the oil export facility, and we are looking at ways to keep the oil export facility off our balance sheet.

We will need at least one more production well, probably horizontal, and potentially a water re-injection well, plus some more tanks and a few other pieces of kit. The longest lead item to get to our planned full rate of 5,000 barrels a day in 2014, is the export facility. We will have to build a tank at a northwest port, so we need to take that decision in the next couple of months to be able to meet our production targets.

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You reported last year that you had suspended the 3D seismic survey at Ungani because of heritage issues. Has that been resolved?

Executive Director, Eric Streitberg

There was an unfortunate incident last year that involved a reported disturbance of some artefacts by the crew preparing for the seismic survey. This was despite the clearances that had been obtained from the Traditional Owners to access that area, and the fact there were no registered sites in the area.

The incident was referred to the Department of Indigenous Affairs by the Traditional Owners, but no resolution has been reached to date.

We are very conscious of our responsibilities in this area, and are working with the traditional owners to recommence the 3D with suitable safeguards in place, including exclusion zones around areas identified as having cultural significance. Ensuring alignment with the Traditional Owners and respecting their heritage and sites of cultural significance is of the highest priority for Buru, and we are actively working with the community to ensure there is no potential for repeating this incident in the future.

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You released Ensign Rig#32 after completing Yulleroo 4. What is your plan to recommence the drilling program?

Executive Director, Eric Streitberg

We have had a continuous drilling program for nearly two years since June 2011. In that time we have been involved in 13 wells, of which 11 were operated by Buru, with two rigs running for a large part of that period. This is certainly the largest program ever undertaken in the Canning Basin, and in Western Australia onshore, and has been very successful. We have identified very significant oil and gas resources and are now going into an appraisal and development phase in parallel with our exploration program.

A key part of delivering the value from our Canning assets is to have a long term program utilising fit for purpose equipment so that we can drive long term cost and productivity efficiencies. A well defined program will also ensure that we have alignment with our Joint venture partners and the community. We have been working very hard on getting that program in place and we have now agreed our priorities and a forward program with Mitsubishi that will allow us to contract a rig for another two year program. That means we can get a fit for purpose rig that we can drill more effectively and safely with, and we are tendering for that rig now.

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What have you agreed with Mitsubishi in relation to the way forward for the overall project?

Executive Director, Eric Streitberg

The key to delivering value for our Joint Venture is to ensure we are aligned on priorities and also that we have a clear plan and capability to deliver those priorities. We have been working on all areas, and Mitsubishi are now strongly supportive of the way forward that we have proposed. It is a very focused approach around

key value and risk areas, with an emphasis on clear milestones and resourcing. They see, as we do, that the oil project is a very high priority, and we both want to progress that as fast as practicable.

Mitsubishi also share our view that Ungani isn't a one off – Ungani North being proof of that, and that we should be drilling more of these conventional oil prospects. We both also recognise that the gas and gas liquids potential in the basin is very important as a long term value driver and should be vigorously pursued.

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What does the drilling program look like from here?

Executive Director, Eric Streitberg

We are still in the process of sorting out the details and regulatory approvals, but it will be focused on Ungani oil exploration, and will include the testing of Ungani North. We will also be drilling further production wells at Ungani, and working over the two Ungani wells to get them ready for full field production. We don't need to drill any more gas wells – we need to see at what rates the ones we have already drilled will flow gas.

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Do you need to do any fracking of the gas wells to see what the flow rates might be?

Executive Director, Eric Streitberg

We have delineated a very large gas resource that is held in fairly tight rocks where we have encountered it so far. I must emphasize that this is tight gas, generally up to three kilometers below the surface, and at least two kilometres deeper than any aquifers. This is not coal seam gas, and it has a very different development process.

So we are currently doing the planning for a reservoir stimulation test program, what's known as a frac job, to see what effect that has on the gas flow rates from the wells drilled to date by the Joint Venture. This will be together with a flow test program of these wells.

The technical analysis of the data we have gathered from the wells as we drilled them is substantially completed, and the operational and logistical analysis is also well advanced. The data we have gathered so far, including the positive results of the trial frac we undertook in 2010, are very encouraging for the development of a tight gas reservoir system. We will be commencing the government approval process and the community engagement and information processes once the technical and operational details are agreed.

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You obviously have a continuing active program, what are your plans for funding your ongoing activity?

Executive Director, Eric Streitberg

Subject to rig timing, our recent sale of interests in EP457 and EP 458 has given us enough money to complete what we plan to do this year. Once we get Ungani on full production next year we will have a substantial net cash flow before tax, in the order of A\$60million a year, which will provide a strong basis for funding a continuing oil exploration and development program.

On the gas side, we have had approaches from a number of companies, but we have decided not to farm-out at this stage. We can fund testing of enough zones in the existing wells to prove up the flow potential of the Laurel Formation, and by doing this ourselves, we are going to add considerable value for a relatively small cost. We will definitely bring in another partner at some point, but want to get the timing right for maximum shareholder value.

We are also taking a close look at the rest of our portfolio to find ways we can maximize value at least cost.

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Will the potential development of your gas project be affected by the recent announcement by Woodside that it will not be proceeding with the James Price Point development north of Broome?

Executive Director, Eric Streitberg

In Buru's case, our business plan has always been to supply gas into the WA domestic gas market in the Pilbara and the southwest using a new pipeline from the Kimberley to Port Hedland. We never had any plans to take gas to James Price Point.

We of course need to continue to appropriately engage with the community in which we operate and do the work to prove up our gas assets. But as we have consistently said, if we are going to develop the gas there are sound commercial and operational reasons for us to take our gas south. So this decision certainly has no effect on our business plans.

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Given that there are no obvious effects on your business from this decision, do you see it might have any positives for you?

Executive Director, Eric Streitberg

We see this decision as overwhelmingly a positive one for Buru. Deferral of the Browse development means that any domgas component of the project is also deferred, which is a positive for our potential domgas project. On the cost side, we expect the deferral of another huge gas plant will help control costs and make greater resources of people and expertise available for our pipeline development.

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You entered into a State Agreement with the Government last year, what is the status of that agreement?

Executive Director, Eric Streitberg

We expect the agreement to shortly be tabled in State Parliament and are hopeful it will be approved by the end of May.

We and the State Government are now very focused on the development of the Canning Superbasin for domestic gas. Our State Agreement provides the pathway for domestic gas for the State, and we expect to see a high level of support from the State as a consequence.

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What can you say about your gas project in the context of the development of the resource industry in the Kimberley – and specifically Buru's ability to add value to both the Kimberley community and its own shareholders?

Executive Director, Eric Streitberg

One of the real positives about our projects is that we can develop the resources in a low impact way that provides substantial social and economic benefits to Traditional Owners and the local community. We are a local company and are very conscious of our environmental and social responsibilities, and we have the opportunity to make a real difference to the community, and to regional conservation outcomes, through the way we develop our projects.

We also have the benefit of fully integrating all of the domestic and international lessons from these types of developments into our project. We are developing strategic relationships with world leading experts in developing both oil and gas to ensure that as we develop our assets we will fully consider all the issues in an integrated manner. We are very committed to ensuring that our project becomes a model for creating sustainable value for all stakeholders.

We have a long way to go with the gas project, but we have a clear and consistent vision of our project development strategy, and we will be keeping all of our stakeholders informed and engaged as we go forward.

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Thank you, Eric.

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