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ASX ANNOUNCEMENT (ASX: BRU)

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State Agreement Granted by WA Parliament

Buru Energy Limited is pleased to announce that the Natural Gas (Canning Basin Joint Venture) Agreement (**State Agreement**) signed by the State Government with joint venture partners, Buru Energy Limited and Mitsubishi Corporation in November last year, has now been passed by both houses of WA Parliament and is awaiting royal assent.

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,
- 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.

Commenting on the successful passing of the State Agreement, Buru's Executive Director, Eric Streitberg, said:

"The State Agreement is a unique and important step in the assessment and potential development of what could be the largest onshore gas resource in Australia. This is a very positive development for Buru and the industry here in this State, and we fully agree with the recent statements by the Director General of the WA Department of Mines and Petroleum that WA's shale gas potential is "quite amazing and could spark the next great resources boom."

With the security of the State Agreement we can continue our comprehensive program of turning our currently identified resources into reserves.

Buru's permits in the Canning Superbasin have been assessed by independent consultants to contain in excess of 47 TCF of tight gas resources net to Buru in one formation alone. The State Agreement areas cover most of these identified resources.

The development of these resources would give WA consumers and businesses access to a reliable and cost competitive long term supply of natural gas. It would also give the Traditional Owners of the area access to a long term and sustainable business opportunity.

We look forward to further defining the resource with the security of the State Agreement over our permit areas, and have a significant work program planned for the year ahead to help deliver this."

Further information on the State Agreement is attached and further information on the Company is available at: www.buruenergy.com

For inquiries please contact:

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About Buru

Buru Energy Limited (ASX Code BRU, ASX 200) is a Western Australian oil and gas exploration and production company. The Company's petroleum assets and tenements are located onshore in the Canning Superbasin in the southwest Kimberley region of Western Australia. In joint venture with its major international partner, Mitsubishi Corporation, the Company explores for, develops and produces oil and gas. Its assets include the flagship high quality conventional Ungani Oilfield project which is currently under development, and potentially world class unconventional gas and oil resources.

The Company is headquartered in Perth with an operational office in Broome with some 50 staff overall. Its 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 Superbasin.

Attachment

Background

The Permits that are the subject of the State Agreement are located in the onshore Canning Superbasin which lies in the south west Kimberley region of northern Western Australia some 2,300 kilometres north of Perth. The area is low relief and dominated by the Kimberley rangelands with large, long established cattle grazing properties occupying most of the area.

The Canning Superbasin is the largest onshore geological basin in Australia. It has been only lightly explored since the first discovery of oil in the basin some 30 years ago at the Blina Oilfield. The recent focus on “unconventional resources”, or what are more properly known as “continuous oil and gas accumulations”, has led to a number of reviews that have identified the potential for the basin to contain very large resources of deep gas in these types of deposits, which typically occupy broadly continuous geographical areas.

Activity to Date

Buru Energy and Mitsubishi Corporation (**MC**) (50/50 joint venture partners) have undertaken an extensive exploration program in the Canning Superbasin during the past three years. This activity has confirmed the prospectivity of the basin for a continuous gas accumulation in a geological unit known as the Laurel Formation, and the potential for a continuous gas and oil accumulation in a different geological unit known as the Goldwyer Shale. These units do not have a geographic or geological overlap, being located in different parts of the overall Superbasin.

The exploration program has also identified the potential for gas accumulations in conventional reservoirs which are contained inside the Laurel Formation continuous gas accumulation, and this potential is being evaluated by the Joint Venture. The exploration program has also resulted in the discovery of a significant conventional accumulation of oil at the Ungani Field which is currently being developed and will provide a significant revenue stream for the joint venture.

Forward program

The evaluation of continuous oil and gas accumulations in under-explored basins requires an extensive exploration program to identify the most productive areas (“sweet spots”) to ensure the most effective and efficient development can take place. For the Canning Superbasin this will require further extensive exploration and development of the area by the Joint Venture. The certainty of tenure provided by the State Agreement will be important to make the long term financial and operational commitments that are necessary for the success of the appraisal and development program.

The State Agreement covers approximately 14% of Buru’s overall permits in the basin and these are located where the Laurel Formation has currently been identified as having the potential to be most quickly commercialised. The State Agreement provides the Joint Venture with the security of title to continue its exploration program to identify and develop the Laurel Formation tight gas resources in the most efficient and timely manner.

The State Agreement also requires the development of a domestic gas project and pipeline by the Joint Venture and provides the State with the potential for long term domestic gas supply and the associated royalties.

Buru is committed to ensuring that international experience and key learnings from the development of the industry are applied to its activities, and that these are conducted in a fully consultative and transparent environment. The Joint Venture is also committed to full engagement with Traditional Owners and their appropriate participation in any developments.

Terms of the State Agreement

During the term of the State Agreement, Buru and MC have committed to the continued exploration, appraisal and, if sufficient gas reserves are proven and the JV concludes that it is economically and technically viable, development of the gas resources of the State Agreement Permits with the potential to deliver 1,500 PJ of gas into the Western Australian domestic gas market over 25 years. Buru and MC are required to submit a proposal for the development of a domestic gas project and pipeline by 30 June 2016.

Under the State Agreement the Department of State Development (**DSD**) takes on a lead agency role, working with the other relevant Government agencies, including the Department of Mines and Petroleum (**DMP**), to facilitate the development of the domestic gas project. DSD's role under the State Agreement is an important enabler of the development, providing a mechanism for the co-ordinated and efficient management of the various approval processes required for the development of the domestic gas pipeline and project. The State Agreement also provides a framework for the development of a project to provide gas to an LNG facility in the Pilbara once the domestic gas pipeline and project have been approved and sufficient reserves have been proven.

The State Agreement provides for each of the Permits covered by the Agreement to be exempted from the legal requirement to periodically relinquish 50% of the area of the Permits until 31 January 2024, subject to meeting the exploration, appraisal and development obligations under the State Agreement. Work programs will be able to be optimised by the flexibility given by the State Agreement to credit gas appraisal work on adjacent Permits against ongoing statutory work commitments.

Under the agreement, the Joint Venture is required to continue to obtain all relevant State and Commonwealth environmental, safety, Aboriginal heritage and Native Title approvals for their exploration, development and infrastructure proposals.

The summary of the terms of the agreement are as follows:

- The agreement, which is for an initial term of 25 years, with a possible 25 years extension, will:
- encourage investment in a significant exploration and evaluation program to determine the technical and economic viability of the natural gas resources;
 - enable the Government to set firm timetables for development of gas discoveries;
 - ensure domestic gas production and delivery occurs before any gas is supplied for export;
 - ensure an amount equivalent to 15% of any gas processed for export is reserved for domestic use;
 - make available for sale related products such as ethane, propane, butane and condensate, for the possible manufacture of chemicals or use as transport fuel;
 - defer relinquishment conditions of the Petroleum and Geothermal Energy Resources Act 1967 for five key permits;
 - facilitate the development of pipelines and other infrastructure to deliver gas to the State's domestic gas network.

Location

The State Agreement Permits are shown in the following map which includes all of Buru's Canning Superbasin permits.

