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ASX Announcement

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Buru Energy Operations Update

Buru Energy Limited (Buru Energy) is pleased to provide the following update on the Company's operations.

Summary

- Ungani EPT progressing very well with fifth oil cargo sold
- Appraisal activity including well tests planned for Ungani 3, Ungani North 1 and Paradise 1
- Four oil focused exploration wells proposed for remainder of 2014
- 2014 seismic program underway with first 2D program acquisition commencing shortly
- TGS (Laurel Formation Tight Gas Pilot Exploration Program) phasing optimised with main program early in 2015 dry season to maximise environmental, operational and cost benefits

Ungani EPT (Extended Production Test)

Production:

The Ungani 2 well continues to produce strongly with production above 1,000 bopd at current choke settings, with very low water cut of ~1% in accordance with current modelling predictions.

The production from Ungani to date is as follows:

Production Test Phase 1 - 31 May 2012 to 30 March 2013: 101,278 bbls

Production Test Phase 2 - 9 December 2013 to 30 June 2014: 172,535 bbls

Four shipments totalling 140,488 barrels have been made from the Port of Wyndham and the fifth shipment of 37,000 bbls has been sold and will be lifted later this month. The oil has all been sold into Asian refineries under the marketing agreement between Buru Energy and Mitsubishi.

A number of production rate tests have been carried out, and interference tests to investigate the communication between the Ungani 2 and Ungani 3 wells have also been completed, with this data currently being recovered for analysis. The planned workover and production testing of Ungani 1 will provide further production data to calibrate the reservoir prediction models and provide more certainty about long term reservoir performance and oil recoveries.

Facilities:

The upgrade of Ungani facilities for permanent production is being reviewed to ensure the new facilities are “fit for purpose” and completed at lowest possible cost. The actual facility design is dependent on the predictions of reservoir performance that are being calibrated with the results of the EPT.

Negotiations to access the Port of Broome for export of oil are continuing and are a priority for the Joint Venture.

Work program for second half of 2014

A work program for the second half of 2014 has been prepared and proposed to the various joint ventures. The work program is aimed at high impact low cost activity. A principal component is ensuring that production from Ungani is maintained and increased where possible.

The proposed work program has a substantial component aimed at oil appraisal and exploration given the high economic value of oil production and the high value add of the identification of further reserves. The proposed program is subject to further approvals from joint venture parties, Traditional Owners and regulatory authorities.

Oil value add

Ungani 1 ST1: The previous attempt to re-complete this well as a dual producer and water injector was not successful. The currently planned workover will be aimed at re-establishing oil production without the option to also inject water. This will allow additional data gathering for the EPT phase and appropriate redundancy in the production system.

Ungani North 1: It is proposed a test of this well will be undertaken using a low cost method to establish the flow potential of the Ungani Dolomite reservoir.

Ungani 3: A re-completion to fully isolate the water zone will allow a definitive test of the upper zone from which oil was swabbed in the recent test.

Paradise 1: This well has an identified oil zone in the Winifred member of the Grant Formation which was noted in the original drilling of the well in 2010, and from which free oil was recovered in 2012 during well remediation operations. A simple low cost testing operation is planned to verify the oil productivity of this zone which is a significant “play opener”.

Exploration drilling

The Company intends to drill up to four exploration wells in the remainder of this year, focused on shallow, high value, oil targets.

Coastal wells: The Coastal farmout to Apache Corporation included the commitment by Apache to drill two wells at Apache’s cost.

These wells have been identified as Olympus and Commodore which are both located in the Kidson sub-basin and have both conventional and unconventional prospectivity. Both wells are relatively shallow (less than 1,500 metres) and will be drilled with a low cost, fit for purpose rig. The joint venture is currently in final negotiations for the supply of the rig from one of a number of rig providers who have submitted bids.

In addition, the Company is in negotiations to use the DCA7 rig which is currently drilling in the Perth Basin for the workover of Ungani 1. This rig would then also be available for the drilling of additional wells in the basin at low cost.

Fitzroy Trough exploration wells

Ungani trend: The Company has identified a number of shallow oil prospects on the greater Ungani trend that could be drilled with either of the two rigs it intends to contract, and is working with the various joint venture parties and other stakeholders to ensure that at least one of these prospects is drilled this year.

EP 129: This permit in the Blina area is currently held 100% by Buru Energy and contains a number of shallow, high value oil targets that could be drilled with either of the two proposed rigs. The Company is currently in preliminary farmout discussions with a number of parties for them to farmin to this permit and participate in this year's drilling program.

Seismic programs

The Company has 2D and 3D seismic programs planned for 2014 to mature drilling targets for 2015 and to meet permit commitments.

2D seismic program: The Terrex seismic crew has commenced line clearing for the 123 km Commodore West seismic survey in EP 471, and the data acquisition is expected to commence in approximately 10 days. There are up to a total of 800 kms of seismic planned in various permits that are currently subject to the receipt of heritage reports and various other approvals.

3D seismic program: The planned Jackaroo 3D seismic program is located between Yulleroo and Ungani and will join the two existing 3D grids to give seamless 3D coverage from Yulleroo to Ungani. It covers the currently identified Jackaroo prospect and a number of other oil prospects along trend. All regulatory approvals and heritage clearances have been obtained for this survey and the Terrex 3D seismic crew is available to undertake the survey subject to final joint venture approval.

TGS (Laurel Formation Tight Gas Pilot Exploration Program)

The previous success of the trial low impact reservoir stimulation of the Laurel Formation in the Yulleroo 2 well has demonstrated that the Laurel Formation will produce high quality wet gas at potentially economic rates with a relatively minor stimulation program, and this has led to the drilling of a series of exploration wells that have defined a major gas accumulation in the Laurel Formation. The Company is now preparing to undertake a larger scale program known as the TGS or Laurel Formation Tight Gas Pilot Exploration Program, to attempt to quantify the commercial viability of this accumulation by undertaking fracs and flow testing on a number of these wells.

The Company has now received all regulatory approvals required for the TGS program after undertaking a full and transparent consultation process that has included the extensive involvement of independent experts and the sourcing of world class technical expertise. These robust and thorough consultations and approval programs have been in train for nearly two years and have resulted in transparent and fact based approvals for the program.

The extensive and iterative nature of these approvals have also meant that the operational timeframes for undertaking the program have been compressed, as it was not possible to commence initial site and preparatory work until the approvals were received. In light of the fact the approvals have only recently been received, it has been necessary to undertake a full review of the planned execution and timing of the program.

This review has included operational considerations such as the availability of specialised technical equipment, the ability to complete the program prior to the wet season (including completing the flow back and testing program), and the costs of the program (which are affected by timing of the program and the ability to complete it in a way that maximises efficient equipment utilisation).

The results of this review have led the joint venture to adopt a three phased program. This phasing will ensure the program is undertaken in the most cost effective way and will also ensure the program meets all regulatory requirements and environmental standards.

Buru Energy's shareholders, the Kimberley community and the wider WA community can be assured that this phased approach ensures the best environmental outcome from the program with the highest probability of delivering definitive results.

The phased approach will consist of the following steps:

Phase 1: August to October 2014

- Wellsite preparation and civil works including the construction of the water holding and flowback fluid retention ponds, flare pits, and associated civil works. This work is complete at the Asgard site and underway at the Valhalla North site. These are major civil works required to support the currently planned frac configuration.
- Well conditioning to ensure the well bores contain an operationally appropriate brine solution. This work will be undertaken with a coiled tubing unit.
- Cement bond logging to confirm previously obtained data.
- Conducting of "mini fracs" or Diagnostic Fracture Injection Tests (DFITs). These are routinely conducted as part of frac programs and consist of fracs of a single zone by perforating the zone and injecting brine and observing the resultant pressure responses. This operation does not involve any flow back from the well and is performed with a relatively small crew and equipment package and does not require the mobilisation of the full frac crew. The data from these mini-fracs is used to optimise the design of the main fracs to ensure they provide definitive results at the lowest cost.

Phase 2: August 2014 to March 2015

Phase 2 will take place during the Kimberley wet season. This is a planning, validation and optimisation phase to ensure all operations and logistics are optimised and all contracts are the most cost effective. The design of the fracs will also be reviewed incorporating the results from the DFITs to ensure the highest probability of obtaining definitive results at the lowest cost.

Phase 3: March to August 2015

This phase will include mobilisation of the frac spread, undertaking the fracs, and then a three month flow back period to ensure the data obtained will allow definitive decline curves to be calculated.

The current estimated total cost of the three phase program is in excess of $40 million. Buru Energy's 50% share of this cost will be covered by the previously announced agreement with Alcoa.

Corporate and Administrative

A program of staff and cost reduction and internal re-organisation has been implemented to ensure the Company's structure is fit for purpose. These changes will substantially reduce overheads and introduce stringent cost controls into the business. This program is substantially complete and together with the recent Board changes have positioned Buru Energy to be a cost-competitive and efficient operator.

As part of this program, corporate engagement with the Company's principal joint venture partner, Mitsubishi Corporation, has been optimised to ensure continued program alignment going forward.

The decision to undertake the frac program in a series of phases has also allowed the Company to take a more measured approach to its discussions with potential farmin parties and these discussions will continue.

The Company's cash position is sufficient to allow it to carry out the planned program of activity in the second half of 2014.

Visit www.buruenergy.com for information on Buru Energy's current and future activities.

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About Buru Energy

Buru Energy Limited (ASX: BRU, S&P/ASX200) 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. Its flagship high quality conventional Ungani Oilfield project is owned in 50/50 joint venture with Mitsubishi Corporation. As well as Ungani, the Company's portfolio includes potentially world class tight gas resources.

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.