



14 August 2017

Buru Energy Operations Update

Highlights

Ungani:

- Oil production from Buru's 100% owned Ungani Oilfield on track for the first lifting of crude from Wyndham storage in early September
- Ungani wells performing as predicted with current production of ~1,000 bopd
- Downhole pump installation on track for early October planned to increase oil production

2017 Drilling Program:

- Planned program of two workovers and two wells by year end on track
- Negotiations for the drilling rig for the program are close to completion
- Competitive arrangements secured for ancillary drilling services
- Experienced drilling team in place with well planning and approvals on track

Corporate:

- Prospectus for Entitlement Issue despatched to shareholders on 10 August
- Executive Chairman and Lead Manager (Hartleys) undertaking roadshow meetings with shareholders and investors over the next two weeks

Buru Energy Limited (Buru) (ASX: BRU) is pleased to provide the following corporate and operational update.

Ungani production

Free flow production from the Ungani 1 and Ungani 2 wells has now produced some 650,000 barrels since the start of production from the field in 2012, including approximately 50,000 barrels since the production restart in late June this year.

The wells are performing in line with predictions, with wellhead pressures and water cuts consistent with the dynamic modeling data. Production has been constrained to ~1,000 bopd while the transport and operational systems are fine tuned.

Wyndham storage tank and transport system

The Fuel Trans Australia transport system is working well with the quad trucking system providing flexibility and economies of scale. The Wyndham tank mixer and loadout systems have also been successfully commissioned prior to the first lifting of crude.



FTA quad at Ungani Oilfield



Wyndham Tank 10 unloading facility

The Wyndham tank currently has some 50,000 barrels of Ungani crude oil in storage with the first lifting expected in early September under Buru's new crude sale agreement with Trafigura. Under the terms of that agreement, the lifting is FOB Wyndham at a fixed discount to Brent with payment terms of 3 days after lifting.

Field development

The Phase 2 development of the Ungani Oilfield includes the running of electric submersible pumps (ESP's) in the Ungani 1 and Ungani 2 wells, together with increased tankage at the Ungani facility to assist in oil/water separation and to provide additional storage for planned higher production rates from the field.

The ESP's have been sourced from Baker Hughes (a subsidiary of General Electric (GE)) after a rigorous tender and technical evaluation process, and they are currently in transit to Perth from the US.

The pumps are designed to be run on tubing into the wells and this will require the replacement of the existing tubing in the wells using the rig for the wider program. The pumps have a variable lifting capacity ranging from 800 to 6,000 barrels of fluid per day, and the wells can also be free flowed through the pumps. The pumps are powered by a surface electrical system using standard generating sets.

The additional tankage is not a critical path item and will be installed once the workovers are completed.

2017 drilling program

Phase 3 activity is planned to include the drilling of the Ungani 4 development well and the Ungani 3 sidetrack well.

The rig required for these wells will also undertake the workovers to install the ESP's in Ungani 1 and 2. The current operational plan is to undertake the workovers and then drill the Ungani 4 well, followed by the Ungani 3 side-track.

An extensive EOI process has been undertaken for the rig, with contract negotiations for the preferred rig supplier close to finalisation. The ancillary services including cementing, wireline logging and mudlogging have also been subject to a competitive process that has

resulted in the selection of a preferred tenderer with a very competitive package of services. It is expected that the contractual arrangements for these services will be finalised shortly in parallel with the rig contract.

As many aspects of the program as possible are being subject to lump sum or capped costs to provide as much certainty as possible for the well costs.

The Company has also been fortunate in re-contracting the services of the experienced drilling engineering group that undertook the most recent drilling program for the Praslin and Ungani Far West wells that are similar in depth and well construction to the planned Ungani 4 well. The team also includes a workover and completions specialist who will be engaged as required to assist with the workover program.

Entitlement Issue

On 1 August 2017 the Company announced it was undertaking a 1 for 5 rights issue at 15 cents per share to raise approximately \$10.2 million before costs. The Prospectus together with a personalised Entitlement and Acceptance Form was mailed to all eligible shareholders on 10 August. The closing date for the rights issue is 1 September 2017.

The funds will be used to undertake the drilling of the Ungani 4 well and the sidetrack of the Ungani 3 well as part of the Company's strategy to accelerate the development of the Ungani Oilfield.

The Company's two largest corporate shareholders support this strategy, and have confirmed their intention to take up their full entitlement for a total of approximately \$1.7 million.

The Executive Chairman and representatives of the Lead Manager (Hartleys) are undertaking roadshow meetings with shareholders and investors over the next two weeks in Australia and southeast Asia.

Buru's Executive Chairman, Eric Streitberg, said:

"We are very pleased with the positive response to the capital raising and the Company's new strategy, from both existing shareholders and from potential new investors.

The Ungani wells are performing well and we are very much looking forward to our first sale of oil from the new Wyndham tank.

We are focused on ensuring that the upcoming workover and drilling program is undertaken as safely, efficiently, and cost effectively as possible, and after a period of limited operations we are very excited to be getting back out in the field and adding value through the drill bit."

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

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