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ASX Announcement

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BURU ANNOUNCES A FULLY FUNDED FORWARD PROGRAM FOR UNGANI OIL DEVELOPMENT AND OIL EXPLORATION PROGRAMS, LAUREL WET GAS APPRAISAL PROGRAM AND DRILLING RIG CONTRACT

- **\$100+ million new capital program to fully fund Ungani oil development, 2013/14 conventional oil exploration program, and proposed 2013/14 Laurel Wet Gas appraisal program.**
 - **Up to \$27.5 million non-dilutive funding from Mitsubishi Corporation for Ungani oilfield development**
 - **\$20 million from Alcoa for Laurel Wet Gas appraisal program from the release of funds held on escrow**
 - **\$30 million Reserve Base Loan Facility for Ungani Oilfield development from NAB**
 - **\$35 million underwritten Institutional Placement and an accompanying SPP capped at \$5 million**

 - **New state-of-the-art, high capability drilling rig secured to support long term drilling program**
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OVERVIEW

Buru Energy Limited (“Buru” or the “Company”) (ASX: BRU) is pleased to announce that it has secured a funding package which will provide it with the capital to progress the development of the Ungani Oilfield into full scale production, to complete an appraisal program of the Laurel Wet Gas project, and to recommence an active seismic and drilling exploration program for conventional oil prospects, with an initial focus on the Ungani oil trend. Buru has also contracted a state-of-the-art Huisman LOC 400 drilling rig to support this work program.

With this program, Buru is now commencing the next steps of delivering the potential of its assets to the benefit of all stakeholders.

In all its activities, Buru is committed to positive engagement with the Traditional Owners and indigenous communities within its areas of operations. All of Buru's activities are undertaken with the utmost care for the environment and for the well-being of our people.

The Company will make a further announcement on completion of the placement and will request the trading halt to be removed at that time.

FUNDING SUMMARY

Buru's forward program is now funded in a manner which provides certainty, results in limited shareholder dilution, and supports independent activity across the Company's oil development, wet gas appraisal and oil and gas exploration assets. The funding includes an appropriate mix of equity, senior debt, and support from the Company's partners.

Ungani Development:

Funding for the Ungani Oilfield development will be provided from a mixture of joint venture partner support and Reserve Base Loan Facility.

- **Mitsubishi Corporation** has agreed to provide Buru with up to \$27.5 million to contribute to Buru's share of costs for the development of the Ungani Oilfield through the acceleration of the major project infrastructure support payments under the 2010 farmin agreement between Buru and Mitsubishi. The funding is subject to formal documentation of the agreement, and an FID decision on the development of the Ungani Oilfield which is expected to be achieved in early 2014.
- **NAB** has been mandated as Sole Lead Financier to arrange and provide a USD denominated debt facility to the Ungani Oilfield development. The NAB mandate provides a Reserve Base Loan Facility of up to US\$40 million, however, Buru will only be seeking an initial facility limit of approximately US\$30 million to ensure conservative balance sheet management. Buru has received a Term Sheet from NAB on acceptable terms and expects that a binding commitment will be received in due course on the same basis.

Laurel Wet Gas Evaluation Program:

- **Alcoa** has agreed to release up to \$20 million for funding of Buru's share of the proposed Laurel Wet Gas accumulation appraisal program. These funds are currently held in escrow and form part of the \$40 million gas prepayment monies advanced to Buru under the Alcoa gas sales contract.

Exploration and Working Capital:

- Buru is also undertaking a modest equity raising to contribute funding for exploration and general working capital. The equity raising is a combination of an underwritten \$35 million Institutional Placement, and a non-underwritten Share Purchase Plan (which will be capped at \$5 million), to give all eligible existing shareholders the opportunity to participate in the capital raising.

Important additional details on these funding sources are provided in Appendix 1 and in the accompanying investor presentation.

DRILLING RIG

Buru has entered into a contract with Advanced Energy Services (AES) for the supply of a Huisman LOC 400 drilling rig. The rig is fully automated and modularised with a depth capability of in excess of 5,000 metres. It is specifically designed as a low operating cost rig with a small environmental footprint compared to rigs previously used in the Canning Basin. The rig is capable of quick and efficient moves with a rig up/rig down process taking less than 30% of the time of conventional rigs of equivalent depth capacity. The rig represents a significant advancement in the drilling technology that has previously been available in onshore Western Australia. It has the capability to drill quick and efficient exploration wells, horizontal oil and gas production wells and deep gas wells.

The rig has arrived in Western Australia and is currently undergoing service trials before undertaking its first job for another operator in the southwest of Western Australia. It is expected it will be available to Buru in the Canning Basin in the December quarter of 2013.

OPERATIONAL UPDATE

Buru completed a 10 well exploration drilling program from 2010 to early 2013 which resulted in the discovery of the Ungani Oilfield, a potential oil discovery at Ungani

North 1 (which will be evaluated in the upcoming program), and the delineation of a potentially significant and regionally extensive wet gas resource in the Laurel Formation. To deliver value from these assets, and to evaluate Buru's other areas, the Company has been undertaking a significant technical and commercial review of its assets as well as an internal capability building program. To ensure Buru has access to best practices across its assets it has also targeted specific strategic alliances with world-class companies whose expertise in core areas will assist in the development of the Ungani oilfield and to optimally appraise the Laurel Wet Gas project, utilising leading technical and environmental management practices.

Buru is committed to developing a close working relationship with the Traditional Owners and community in our areas of operations. The Company has established a highly experienced Community team focused on building long term, transparent, respectful and mutually beneficial relationships with the local community. Positive community engagement is a core value for Buru and we are strongly committed to ensuring we deliver long term benefits for all stakeholders.

The asset review, organisational capability building and community engagement program is well advanced and has enabled the Company to develop a focused program for the remainder of 2013 and 2014, as follows:

Ungani Oil production: The development of the Ungani Oilfield is being undertaken using a systematic, incremental approach. The 3D seismic survey over the field is progressing well, with line clearing close to completion and data acquisition due to commence in late August. The 3D seismic data will be available in November 2013 and will assist in the final development design, drilling locations, and reserves determination.

The forward program to re-establish production from the field is to workover the Ungani 1 and 2 wells (scheduled for September) using a work over rig (Ungani 1) and coiled tubing unit (Ungani 2). These workovers are designed to isolate the underlying water zone from the oil zone and to recommence the extended production test (EPT) with the objective of flowing dry oil. The performance of these wells during the EPT will provide important data to assist in the final development well design. This EPT will constitute Phase 1 of the Ungani production system and will commence as soon as practicable after the workovers.

The Huisman LOC 400 rig is planned to be mobilised to the Ungani location late in the December quarter 2013 and it is intended that the rig will initially drill the Ungani 3 vertical appraisal well followed by horizontal production and water injector wells.

Production is planned to be up to 3,000 bopd during 2014, increasing to over 5,000 bopd (and possibly up to 7,500 bopd) by the end of 2014 as additional production wells are drilled, and export facilities commissioned. Commercial and operational negotiations are under way for the export of the oil through a northern port.

Total expenditure on the field and facilities through to full production is expected to be in the order of a gross \$92 million through to the end of 2014. Buru will fund its 50% share of expenditure for the development from its cash reserves until the formal FID for the field is agreed, being the decision point on the forward development of field facilities and export systems. This decision is expected to be made in early 2014 after the completion of Ungani 3, which is the first appraisal well on the Ungani Oilfield to be drilled utilising the 3D seismic data expected to be acquired by the end of November 2013.

Ungani North test: The Ungani North 1 well was drilled in 2012 and encountered what is interpreted by Buru to be an oil column of in excess of 40 metres. Reservoir quality in the well does not appear to be as well developed as at the Ungani Oilfield and a flow test is required to determine whether the reservoir will flow oil, and if so, at what rates. The timing of the test will be dependent on completion of further technical evaluation and equipment availability but is planned to be in the December quarter 2013. The cost of the test will be funded from Buru's working capital.

Laurel Wet Gas Project: Following engagement with the local community, environmental planning, baseline surveys and the receipt of regulatory approval of the environment management plan, Buru will undertake an appraisal program to evaluate the commercial potential of the Laurel Wet Gas accumulation in both conventional and tight reservoir sections. This program will involve the stimulation and flow-testing of up to five wells in the Yulleroo and Valhalla regions including testing of zones with conventional "free flow" gas potential.

The timing of this program is dependent on, amongst other matters, the availability of equipment and suitable personnel, and the timing of approvals. Given the matters that must be completed during the remainder of 2013, the program will be likely to commence in the 2014 dry season. The total cost of this initial appraisal program is expected to be approximately \$54 million. Buru will partially fund its share of costs from the release of \$20 million in escrowed funds by Alcoa and then from working capital.

Ungani Oil trend exploration and regional exploration: Following the Ungani 3D seismic program a substantial 2D seismic program is planned

along the Ungani conventional oil trend. This will be followed by up to four exploration wells primarily targeting Ungani “lookalikes” during 2014.

There will also be additional exploration activities undertaken in other areas of the basin including extensive regional seismic and airborne geophysical surveys.

The overall cost of the Company’s exploration program will be dependent on the number of wells drilled, but is budgeted at approximately \$42 million for Buru’s share.

A program of this magnitude requires careful planning and preparation and extensive consultation with stakeholders including Government, Traditional Owners, local communities, and joint venture and commercial partners. It also requires a high degree of internal technical, operational and commercial capability, complemented by world class strategic relationships to ensure the assets are evaluated and developed optimally across all areas (technical, commercial, social and environmental). Combined with sourcing of the appropriate equipment and contractors, and the funding to ensure that all the operations can be completed with confidence, Buru has been focused on ensuring all elements are in place to meet its responsibilities, and deliver value across its assets for all stakeholders.

The Company is extremely pleased to have been able to draw all these matters together over the last six months to build on Buru’s success to date as the leading operator and developer in the Canning Basin, and to set up the Company for the future.

Dr Keiran Wulff, Buru’s Managing Director, said about the program:

“We are very excited to now be fully funded to move from explorer to significant oil producer. It is also particularly pleasing that our strategic partners, Mitsubishi Corporation and Alcoa, have demonstrated their confidence in our plans by providing additional support.

The funding allows us to take a long term approach, and develop business opportunities for the Traditional Owners and local communities with whom we work that are linked to our operational programs. Working closely and respectfully with the Traditional Owners is a core value for Buru.”

Buru's Chairman, Mr Graham Riley, said:

"With this funding and development program Buru is now able to deliver significant value for shareholders. We are fully funded through to substantial cashflow from Ungani, and for a significant appraisal program at the Laurel Wet Gas accumulation and Ungani trend oil exploration program."

Highbury Partnership Pty Limited is acting as Buru's Financial Adviser. Deutsche Bank AG is Sole Lead Manager, Bookrunner and Underwriter of the Institutional Placement.

ENDS.

This release and further information on the Company is available at:
www.buruenergy.com.au

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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

Appendix 1 – Details of Funding Package

Mitsubishi Corporation Funding

Mitsubishi has agreed to provide up to \$27.5 million in funding to Buru for Buru's 50% share of the costs of developing the Ungani Oilfield. The funding is dependent on the completion of formal documentation, and on the joint venture taking an agreed project FID decision after the drilling of Ungani 3.

This funding is a reallocation and acceleration of the current obligation of Mitsubishi Corporation under the 2010 farmin agreement to provide phased funding of up to \$50 million for major gas infrastructure development. The bringing forward of this funding ensures the joint venture is aligned in the development of the Ungani Oilfield. In return for the acceleration and direct rather than phased payment of the funds, Buru and Mitsubishi Corporation have agreed to reduce the size of the future funding obligation from \$50 million to \$27.5 million which reflects the significant acceleration of the payment, its non-phased nature where 100% of Buru's costs are paid, and the contribution to pre-FID costs.

The funding will be available to Buru after the completion of the Ungani 3 vertical well and the approval by the joint venture of a forward development program from that point under an FID decision process. Once the FID is agreed, Mitsubishi Corporation will refund the pre-development costs which Buru has incurred to that point, including the costs of the Ungani 3D seismic survey, the planned Ungani 1 and 2 workovers, and the other planned pre-development works.

Subsequent to the FID date, Mitsubishi will pay Buru's share of costs of the agreed Ungani oilfield development program up to a total amount of \$27.5 million (including the refunded amount).

Buru has also agreed to provide Mitsubishi with the option to market its share of crude oil produced from the Ungani Oilfield and of any oil produced from Ungani North. Given Mitsubishi's shipping and marketing expertise, combined with their general global experience and commercial reach, this is an excellent result and clearly aligns both companies to an optimal marketing solution.

Alcoa Funding

In 2007 Buru's predecessor ARC Energy Limited and Alcoa entered into a gas sales contract for the delivery of up to 500 PJ of sales gas to Alcoa over a 15 year period. This was, at that time, a ground breaking and innovative arrangement that has since

been replicated by other parties. As part of this arrangement, Alcoa provided a \$40 million gas pre-payment, \$20 million of which was subsequently placed into an escrow account where, with interest, it has now accrued to approximately \$25 million.

Buru and Alcoa have now entered into an agreement for up to \$20 million of the escrowed funds to be applied to fund the next phase of the appraisal program for the Laurel Wet Gas accumulation. It is anticipated that the monies to be released from escrow will be sufficient to fund a substantial part of Buru's share of the costs of this program. The remaining funds will be retained in the escrow account.

This agreement represents a very significant endorsement by Alcoa of the potential of the Canning Superbasin to supply gas into the domestic market of Western Australia.

As part of the agreement, Buru has also agreed with Alcoa that Alcoa will have the right to extend the gas sales contract FID date on an annual basis until 1 January 2018. These extensions, if activated by Alcoa, will have the effect of aligning the Alcoa gas sales contract with Buru's obligations to deliver domestic gas under the State Agreement. Buru and Alcoa have also agreed that in the event Buru does not deliver gas to Alcoa, the repayment schedule for the \$40 million gas prepayment will consist of three equal cash payments over a three year period commencing 12 months after the contract termination date, but without the option to make the third payment in Buru shares which is contained in the current agreement.

NAB Bank Funding

The Company has had discussions with a number of domestic and international banks offering a range of funding solutions after the results of the initial production testing at Ungani confirmed that it was a potentially significant conventional oil discovery. The Company engaged only with those banks it considered were appropriate for its funding needs, and after a very competitive process has mandated NAB as Sole Lead Financier to arrange and provide the financing for the Ungani Oil project.

The debt facility is a Reserve Base Borrowing Facility, and assuming conservative reserves and production forecasts, the debt sizing is expected to be up to US\$40 million. However, the Company will be seeking an initial facility limit of approximately US\$30 million to ensure conservative balance sheet management. The size of this facility together with the Mitsubishi Corporation funding, will be sufficient to bring Ungani into full production.

A facility under this mandate will be subject to formal documentation, field FID and satisfactory independent reserves certification.

Institutional Placement

Buru will raise approximately \$35 million via an institutional placement fully underwritten by Deutsche Bank AG.

The shares issued under the Placement will be within Buru's existing placement capacity pursuant to ASX Listing Rule 7.1, with quotation and trading on the ASX scheduled to commence on Thursday, 15 August 2013. All shares issued under the Placement will rank equally with Buru's existing shares.

Share Purchase Plan

Buru will also offer all existing eligible shareholders the opportunity to invest additional equity via a non-underwritten Share Purchase Plan (SPP). The SPP will allow eligible shareholders to acquire up to \$15,000 of new shares, at the lower of the Institutional Placement price or 5 day VWAP prior to the allotment date. The amount raised from the SPP will be capped at \$5 million which means eligible applicants may be subject to scale back. No brokerage or transaction costs will be payable by subscribing shareholders. All shares issued pursuant to the SPP will rank equally with existing Buru shares.

Participation in the SPP is optional and will be open to shareholders who were registered holders of Buru shares at 5:00pm (Perth time) on the record date of Wednesday, 7 August 2013, and whose registered address is in Australia or New Zealand. For New Zealand shareholders you must still be a shareholder on the date of the offer to participate. Further details of the SPP, including the timetable, will be provided to eligible shareholders shortly.