

## Operations Update

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### Ungani Oilfield Production and Development:

- Ungani 4ST1 sidetrack well on initial unstabilised cleanup production
- Field production prior to Ungani 4 ST1 production currently averaging ~1,150 bopd (gross)
- Next oil lifting from Wyndham expected in late December for approximately 60,000 barrels (gross)
- Drilling program for 2018 completed with DDGT1 rig demobilised

### Exploration:

- Contract with NewGen Drilling Pty Ltd for the hire of NGD Rig 405, a 5,000 metre depth capacity containerised automated rig expected to be signed shortly
- 2019 drilling program target start date as soon as practicable after the wet season – currently mid April/early May 2019.

### Corporate:

- Purchase of additional 22.5% interests in oil prospective permits EP 457/458 in the Canning Basin to bring interests to 60%
- Balance sheet strength maintained
- Report of the Scientific Inquiry into Hydraulic Fracturing (fracking) released

### Ungani 4ST1 and Ungani Operations

The sidetrack operations on the Ungani 4ST1 well were completed on 3 December.

The wireline logging program indicated that there are several zones of good quality reservoir section in the well. A wireline pressure survey program undertaken as part of the logging program indicated that the oil/water contact in the well is at a similar elevation to the original field oil water contact, with some 77 metres of Ungani Dolomite in the interpreted oil column. This compares to some 58 metres in Ungani 1ST1 and 53 metres in Ungani 2. The significance of the oil water contact being interpreted as being close to its original elevation after over one million barrels of oil have been produced from the field is currently being evaluated.

The Ungani 4ST1 well was re-connected to the flowline as soon as the rig equipment had been cleared from the lease and it was put on production into a test tank. The well has only been on production for a short period of initial unstabilised cleanup flow prior to the swell packers swelling to provide effective zonal isolation. This is expected to take at least another ten days before indicative stabilised rates are obtained. The well is currently shutin for pressure buildup.

With the completion of the current field drilling program the results of both the recently drilled wells and further production data and testing will be incorporated into the static and

dynamic reservoir models to revise the resource potential of the field and guide the further drilling program in the field that may include the drilling of horizontal oil production wells.

This work is expected to take several months to complete.

A program of well interventions and optimisations over the last several months has identified an ongoing program of work to maintain and increase production. A particular focus of this ongoing program will be the Ungani 1ST1 and Ungani 2 wells that are currently being produced using high rate electric submersible pumps and where water cuts have significantly increased, such that current production from the field prior to the commencement of production from Ungani 4ST1 well has been averaging some 1,150 bopd (gross).

Production facility and transport operations have been running smoothly with a successful program of de-bottlenecking and optimisation of the production facilities being undertaken. Maintenance and “weather-proofing” has also been undertaken on the access road to ensure any trucking downtime due to weather during the coming wet season is minimised.

On current production forecasts the next oil lifting from Wyndham storage by Trafigura is expected in late December for approximately 60,000 barrels (gross).

## **2019 Drilling Program**

The results of the 2018 drilling and testing program will be evaluated during the imminent wet season, together with the finalisation of the 2019 drilling program. There are a range of oil exploration prospects under consideration for drilling, some of which have been upgraded by the recent 3D seismic reprocessing program, and the joint venture is currently reviewing and ranking these prospects.

The 2019 program will therefore be focused on both the wildcat conventional oil exploration program, and also on drilling further wells at Ungani, potentially including horizontal wells.

This program requires a rig with considerably more capability than DDGT1 rig used for the 2018 program and hence DDGT1 was demobilised at the conclusion of the 2018 program.

While planning for the 2019 drilling program is well underway, it is apparent that the upturn in activity driven primarily by the east coast gas crisis has severely restricted the availability of suitable rigs and general oilfield equipment.

The rig to be used for the 2019 drilling program is NewGen Drilling Pty Ltd (NGD) Rig 405 and rig contract negotiations are close to completion. NGD 405 is a fully automated modular rig with a nominal depth capacity of 5,000 metres, as well as the capacity to drill high angle and horizontal wells.

On current planning, the 2019 drilling program will commence as early as practicable in the dry season (nominally mid-April/early May), and will include up to four wells for the Joint Venture, including a potential horizontal well on Ungani. The rig may also be used to drill wells on Buru operated acreage outside the Roc Oil Joint Venture.



*NGD Rig 405*

## Corporate

### Cash Flow

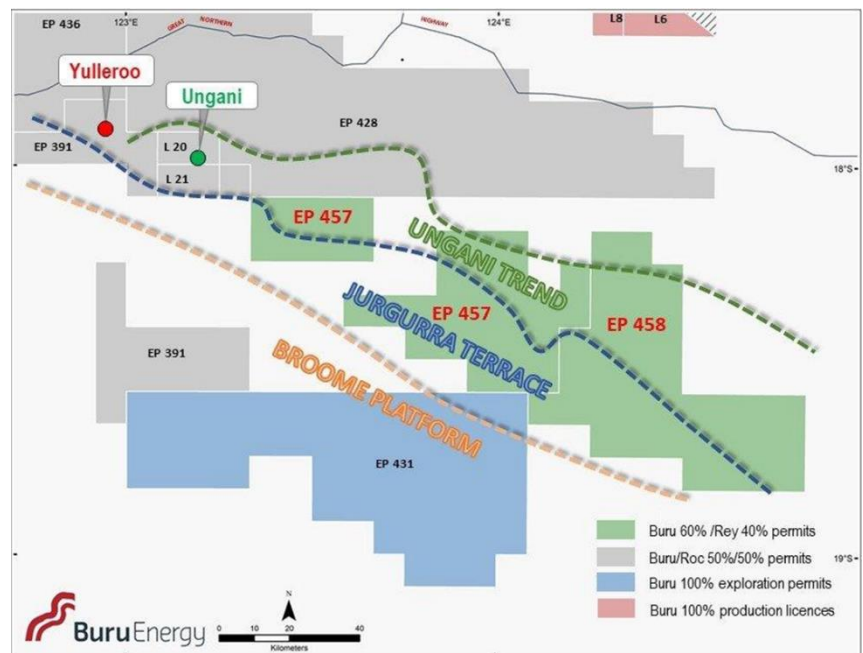
The recent ~ 25% decline in the global oil price, together with the lower than predicted production from the Ungani Oilfield has had a significant effect on net cash flow, however, the balance sheet remains strong with over \$60 million in cash forecast at year end after the next lifting and the repayment of the next tranche of the Alcoa debt in late December.

### Permit equity acquisition

Further to continued negotiations with Mitsubishi as part of the asset swap transaction of May 2017, Buru entered into a purchase agreement with a wholly owned subsidiary of Mitsubishi Corporation (Diamond Resources (Barbwire) Pty Ltd) to purchase its 37.5% interests in exploration permits EP 457 and EP 458. Under the terms of the permit joint venture agreements, the other participant in the permits, Rey Resources Limited, exercised its pre-emptive rights and consequently, the interests in the permits will now be Buru 60% and Rey 40% after settlement of the transactions expected during early 2019.

The permits are prospective for conventional oil in a number of formations with the Victory 1 well drilled by Buru recovering oil from the Laurel Formation.

The joint venture will now review the prospectivity of the permits with the objective of maturing stand-alone drilling targets as soon as possible. The forward program is likely to include the reprocessing of existing 2D seismic data and potentially the acquisition of new seismic data in 2019.



### Scientific Inquiry into hydraulic stimulation (fracking)

On 27 November 2018 the Western Australian Government released the report of the Scientific Inquiry into hydraulic fracture stimulation, together with its response to the report. This response included a range of regulatory measures that will take some time to implement.

The moratorium on fracking in the Perth and Canning Basins was lifted as part of this response, however, the additional regulations and approvals required means that there is likely to be a substantial delay before any activities are carried out.

This is disappointing as the Company has demonstrated that under the current regulatory regime it has conducted fracs on three wells on a total of 14 zones with no issues.

The Company will continue to work constructively with Government to ensure the safe, and commercially and environmentally sustainable development of the tight gas and liquid resources of the Canning Basin.

The Company has also identified several zones of potential gas and liquids production in existing wells that will not require stimulation for small scale gas production and these are currently being quantified for potential testing in 2019.

### **Season's Greetings**

The Board extends its best wishes to all shareholders for a safe and prosperous festive season and thanks them for their support during the past year.

It also extends best wishes and thanks to the traditional owners in the areas of its operations and to its joint venture partners, and its many stakeholders and community supporters.

We look forward to 2019 bringing exploration and production success.

Visit [www.buruenergy.com](http://www.buruenergy.com) for information on Buru Energy's current and future activities.

### **For investor inquiries please contact Buru Energy:**

Telephone: +61 8 9215 1800

Freecall: 1800 337 330

Email: [info@buruenergy.com](mailto:info@buruenergy.com)

### **Qualified Petroleum Resources Evaluator Statement**

Except where otherwise noted, 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 40 years of relevant experience. Mr Streitberg consents to the inclusion of the information in this document.