Quarterly Report
Period ended 31 December 2017

The Directors of Buru Energy Limited (Buru Energy) are pleased to provide the report for the quarter ended 31 December 2017.

Highlights

Ungani Oilfield production and development:

- Oil production during the quarter of 83,870 bbls
- Oil sales during the quarter of 54,981 bbls at a realised price of ~AUD$76/bbl
- Installation and commissioning of ESPs in Ungani 1ST1 and Ungani 2 successfully completed
- Ungani 4 and Ungani 5 oil development wells successfully completed with testing and hookup in Q1 2018
- Ungani Phase 2 surface upgrades completed to provide extra storage and processing capacity for the new wells
- Ungani Phase 3 surface upgrades commenced to optimise processing and production

Corporate:

- The process of considering potential farmin partners for the 2018 exploration program is continuing with a data room process underway
- Termination of State Agreement for Canning Basin
- Approval and registration of the petroleum titles transferred as part of the asset swap agreement with Mitsubishi progressed during the quarter, and on 8 January 2018 the transfers were approved and registered

Production and Development

Ungani Oilfield

Field performance

On 28 September, prior to the commencement of the quarter, production from the Ungani field was temporarily shut-in whilst workover operations on both Ungani 1ST1 and Ungani 2 wells were undertaken. These operations were successfully completed on 16 October, on time and on budget and included the recovery of the existing completion string and then re-completion of each well with tubing conveyed electric submersible pumps (ESPs).

Production recommenced on 22 October and continued until the field was again shut in on 29 December when a monsoonal low from Tropical Cyclone Hilda delivered some 260 mm of rain on the Ungani operations area. This was almost half of the average annual rainfall for the area falling in a three-day period. Although this amount of rain caused only minor interruptions to rig activity it closed the Ungani access road to heavy vehicle traffic including crude oil haulage trucks. Crude trucking operations recommenced on 6 January, when the crude haulage trucks were able to access the road.

The wells have performed in line with expectations since the installation of the ESPs, and additional trucking capacity has progressively come on line to enable increases in production. The Ungani Oilfield produced 83,870 bbls during the quarter with average production for the days that the wells were online of ~1,233bopd.

FTA quad with ~880 bbls of Ungani oil bound for Wyndham Port

On 19 November 54,981 barrels were lifted from the Wyndham storage tank by the MT Marlin Apatite without incident. The crude continues to be sold "FOB at the Wyndham Port" which means that the buyer, Trafigura, is responsible for all shipping related charges to the relevant refinery. The final realised Wyndham FOB revenue for the cargo was A$4.18 million or ~A$76/bbl (US$3.17 million or US$58/bbl).

For comparison the realised A$ price for the September 2017 lifting was A$62/bbl (60,275 bbls) and the provisional A$ price for the January 2018 lifting subsequent to the end of the quarter was ~A$79/bbl (53,377 bbls).

Ship loading at Wyndham Port

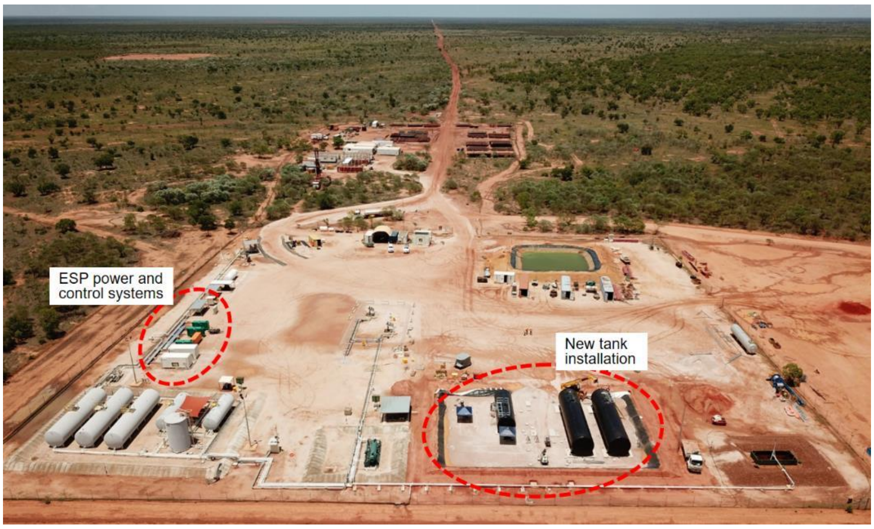
Ungani development activity

Development of the Ungani Oilfield is being undertaken in three phases. Phase 1 was completed in June 2017 and included upgrading of the oil storage tank at Wyndham, recommissioning the facilities at Ungani and recommencing Ungani crude oil production.

Phase 2 was completed during the quarter and included the installation of the ESPs in the Ungani 1ST1 and Ungani 2 wells and the installation of the associated surface power and control systems. Phase 2 also included the installation of two additional 1,250 bbl oil storage tanks and a 600 bbl oil / water segregation tank.

1,250 bbl storage tank under construction

Following the completion of Ungani Phase 2, the Ungani Production Facility storage capacity has been increased from 2,400 bbls of oil to 4,900 bbls of oil. The 600 bbl horizontal segregation tank has been sized to allow a fluid processing capability of up to 8,000 bbls of fluid per day at up to a 90% water cut. The power generation facilities allow for the ESPs to each operate efficiently and up to their maximum deliverability of 4,500 bfpd.



Ungani Production Facility showing ESP surface equipment and new tank installation

The next phase of development (Phase 3) include the tie-ins of the Ungani 4 and Ungani 5 wells. Phase 3 was commenced late in the quarter and is expected to be completed in Q1 2018.

Ungani 4 and Ungani 5 drilling operations

<u>Ungani 4</u>

Following completion of the workover operations, the DDGT 1 rig was mobilised to the Ungani 4 well location and commenced drilling operations on 19 October. The well is located some 500 metres to the southwest of Ungani 1 on a separate drilling pad and was designed to provide an additional drainage point in the Ungani Oilfield and to verify reservoir continuity.

The well was initially drilled to a total depth of 2,249 metres measured depth with the top of the Ungani Dolomite reservoir interpreted from drill rate and drill cuttings to have been encountered at 2,137 metres measured depth. Following operational delays due to mechanical problems with the contractor's wireline logging unit, attempts to obtain wireline logs were unsuccessful due to the shale section immediately above the Ungani reservoir bridging off, partly due to the length of time the hole was open while the wireline unit was repaired.

Consequently, it was decided to temporarily suspend the well and move the rig to drill the Ungani 5 well as planned.

Based on the positive indications from the Ungani 4 well to that point, construction of the flowline from Ungani 4 back to the production facility was commenced so that when the Ungani 4 well is completed it will be able to be quickly put on production.

Following the end of the quarter and completion of the Ungani 5 well, the DDGT1 drilling rig was mobilised back to the Ungani 4 site. After retrieving the temporary suspension packer, a clean out trip with measuring while drilling (MWD) tools was undertaken. This operation successfully acquired a basic suite of logs which have confirmed the top of the Ungani Dolomite at 2,134 metres measured depth.

DDGT1 rig at Ungani 4

A drillable liner was then run into the hole and the liner was perforated over the reservoir zones that were interpreted to have the best flow potential and the completion string was then run inside the drill-in liner and the well suspended.

Based on the information gathered from the well to date, and on the assumption that the oil water contact in the well is at the same elevation as the Ungani 1ST1 and Ungani 2 wells, this implies a gross oil column of some 74 metres which compares to an oil column of 58 metres in Ungani 1ST1 and 54 metres in Ungani 2.

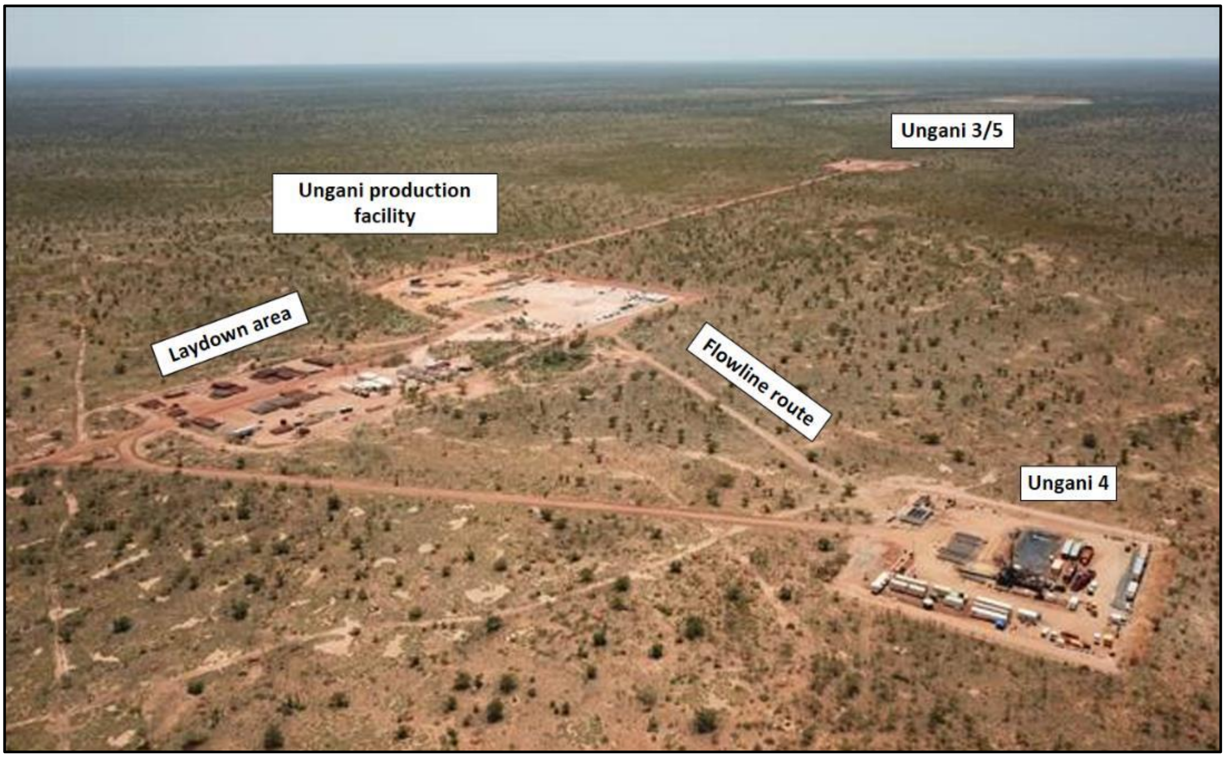
Ungani 5

The DDGT 1 rig spudded the Ungani 5 well on 1 December. The well is located some 1,140 metres to the east of Ungani 1 on a separate drilling pad and was a test of the eastern fault block of the Ungani Field to appraise the Ungani 3 well which was an oil discovery, but was interpreted not to have accessed the more porous section of the reservoir.

The well was drilled to a total measured depth of 2,239 metres. The top of the Ungani Dolomite was encountered as prognosed at 2,122 metres. The overlying Ungani Shale section was a similar thickness to other wells in the field in contrast to its anomalously thin section in Ungani 3, and the Ungani Shale section was cased off in Ungani 5. The Ungani Dolomite was present from 2,122 metres to the well total depth of 2,239 metres.

A full suite of good quality wireline logs including wireline pressure data was acquired with no issues. These logs have confirmed the reservoir is similar in quality to the other wells in the Ungani Field and have also confirmed there is an oil column of approximately 53 metres in the well which is similar to the Ungani 2 oil column.

The open hole completion utilising swellable packers for zonal isolation and production was then run and the well was suspended.



Ungani operations area

Production testing program

Both Ungani 4 and Ungani 5 have been completed with swellable packers which require time to swell set.

The production testing program to determine the productivity of the various zones in each of the wells is expected to be commenced shortly, dependent on weather. At the completion of the testing program, both wells will be connected to the central production facility and put on line.

Drilling Program Costs

The current estimate for the final cost of the Ungani drilling program is $11.5m which includes the drilling of the Ungani 4 and Ungani 5 development wells, flow testing operations for both wells and injectivity testing at Ungani 3. The original budget for the Ungani drilling program was $9.5m which was based on a sidetrack of Ungani 3 and the Ungani 4 development well. The cost differential has been caused by several factors including the change in scope to Ungani 5 to reduce operational risk and the issues with Ungani 4. The changes were in detail:

- The drilling of the Ungani 5 well rather than the Ungani 3 sidetrack. The budgeted cost of the Ungani 5 well was more than the sidetrack option but the new vertical well was considered to have less operational risk. Ungani 5 was completed trouble free and on budget;
- The need to temporarily suspend the Ungani 4 well whilst Ungani 5 was drilled, before mobilising the rig back to Ungani 4 to complete that well. The final logging program and drill-in liner were also outside the original budget;
- Unscheduled minor maintenance and repairs to the DDGT 1 rig; and
- Various short delays due to the wet weather from Cyclone Hilda and Cyclone Joyce.

Forward production plan

Subsequent to the end of the quarter, Cyclone Joyce brought heavy rainfall to the Ungani operations area immediately following the high intensity rain from Cyclone Hilda. Although the almost continuous rain did not materially affect rig operations, it again closed the Ungani access road and suspended heavy vehicle transport operations. Consequently, Ungani production which recommenced on 6 January was again shut in on 12 January and production currently remains shut in. Production will recommence once the crude haulage trucks are able to access the road.

To put this season's weather into perspective, in the 107-year period since 1910, there have been 22 cyclones that have caused gale force winds in Broome. This equates to about one every five years compared with the two cyclones to date during the current wet season.

Subject to the results of the Ungani 4 and Ungani 5 production tests to be undertaken as soon as weather and road conditions permit, the forward plan is to continue to build production and transport capacity to the target rate of 3,000 barrels of oil per day by early Q2 2018. Key components of this plan include installation of flowlines for Ungani 4 and Ungani 5 and bringing additional trucks into service to match the increases in production capacity as the wells are connected into the central processing facility.

The Ungani 4 flowline is substantially complete and will be tied in to the well once the production test is completed.

The forward production plan for the field is being prepared now that the preliminary results of Ungani 4 and 5 are to hand. This plan will be finalised once the results of the production tests and consequent well deliverabilities are available.

Ungani 4 Flowline

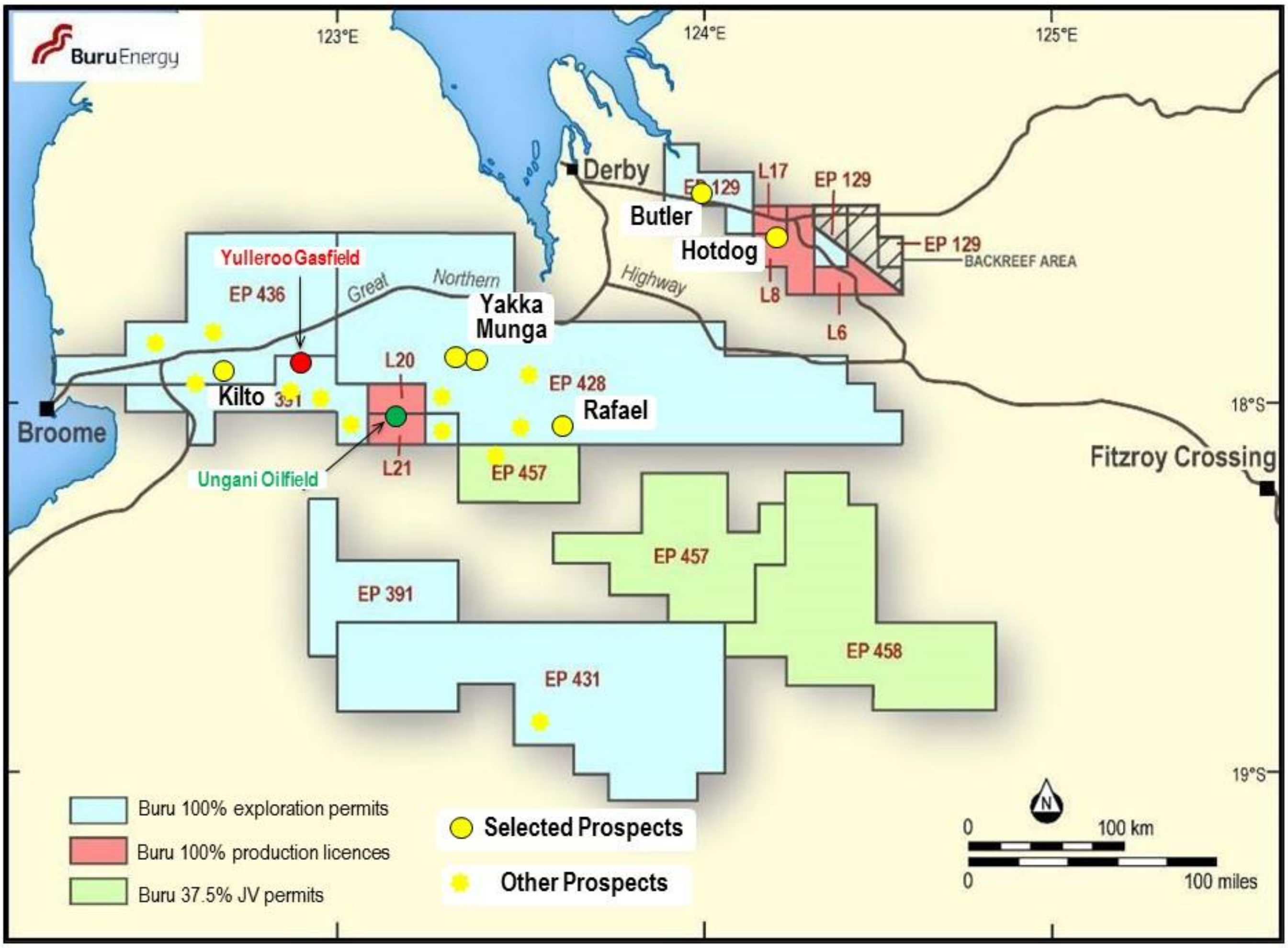
Blina and Sundown Oilfields

The Blina and Sundown Oilfields remained shut-in during the quarter with maintenance and well inspections continuing.

Exploration

The Company's exploration portfolio was enhanced by its assumption of 100% of the Ungani trend permits and associated prospects on 24 May 2017 when Buru and Mitsubishi Corporation (MC) entered into an asset transfer agreement as detailed in the Corporate section below.

Planning for the 2018 drilling program of up to four exploration wells is continuing. The process of considering potential farmin partners for this program is continuing. The planned drilling locations for this program include a range of play types from the proven Ungani Dolomite and Reeves discovery to new high potential concepts for both oil and gas.



Map of selected exploration prospects

Independent review of Yulleroo resources

Subsequent to the end of the quarter RISC Advisory Pty Ltd (RISC) completed an independent assessment of the tight gas and hydrocarbon liquid resources of the Yulleroo Field within exploration permits EP 391 and EP 436. RISC has estimated Contingent and Prospective Resource sales gas and associated liquids in the Yulleroo Field as at 1 December 2017 as follows:

Contingent Resources Net to Buru	1C	2C	3C
Sales Gas (PJ)	321.4	714.0	1,267.0
Associated Liquids (MMbbls)	9.5	24.9	47.6
Prospective Resources Net to Buru	**Low**	**Best**	**High**
Sales Gas (PJ)	124.6	302.8	611.0
Associated Liquids (MMbbls)	4.3	11.9	24.8

- *RISC's Contingent Resource and Prospective Resource assessment has been prepared using the probabilistic method and an evaluation date of 1 December 2017.*
- *Contingent Resources are quantities of petroleum estimates as of a given date to be potentially recoverable from known accumulations by application of development project(s) but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources.*
- *Prospective Resources are estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) that relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.*
- *The full resource statement is set out in accordance with ASX Listing Rules in Buru's ASX release of 18 January 2018. Buru Energy is not aware of any new information or data that materially affects the information included in the 18 January 2018 release and all material assumptions and technical parameters underpinning the estimates in that release continue to apply and have not materially changed.*

These are significant increases on previous estimates and result from a combination of an increase in interest in the field and the underlying EP 391 and EP 436 permits (from 50% to 100% following the Asset Swap with Mitsubishi Corporation last year), and a consideration of the additional data obtained from further drilling in the field and the results of the further unconventional appraisal activity of the Laurel Formation undertaken in the Canning Basin.

To convert the identified Contingent Resources and Prospective Resources to Reserves will require additional data to be acquired, and drilling to be carried out, including vertical and horizontal wells, together with extended production tests to determine commerciality. There is extensive production from tight gas reservoirs internationally and there is a well understood and systematic process that can be undertaken to progress the resources to commercial production.

The forward plan for the Yulleroo Field is not currently being progressed due to the WA Government fraccing moratorium. Development of this resource would bring substantial benefits to the traditional owners of the area and the State of Western Australia, together with local customers and the Kimberley generally.

Corporate

Termination of State Agreement for Canning Basin

During the quarter, Buru Energy entered into an agreement with Mitsubishi Corporation and the State of Western Australia to mutually terminate the State Agreement for the Canning Basin. The State Agreement was originally executed by the State of Western Australia, Buru Energy, Mitsubishi Corporation and two of its subsidiaries in November 2012 and was subsequently ratified by the Natural Gas (Canning Basin Joint Venture) Agreement Act 2013 (WA) and varied by agreement of the parties dated 1 July 2015. The State Agreement covered exploration permits EP 371, 391, 428, 431 and 436 (Permits).

The termination agreement will come into operation once it has been ratified by an Act of the Parliament of Western Australia which is expected to occur in 2018. This process has commenced in the Legislative Assembly of the Parliament of Western Australia. Once the termination of the State Agreement is ratified by Parliament, the Permits will remain valid in their current form with no relinquishments required, and with no additional work commitments to those already in place, until 30 July 2023 for EP 371, EP428, EP431 and EP 436 and until 31 January 2024 for EP 391.

The termination of the agreement has no effect on Buru's current operations or in relation to any of the Company's activities, apart from fraccing.

In regard to fraccing, the State Government has introduced a moratorium on fraccing in the State while a scientific inquiry is undertaken. Buru expects that the inquiry will return a similar finding to the numerous previous inquiries in Australia and internationally, that fraccing is safe if properly regulated, which it is under the current WA regulatory regime.

The Company will be carrying on its current operations including drilling for and producing oil and exploring for conventional oil and gas while the current moratorium on gas fraccing is in place.

Asset swap agreement

On 17 May 2017 Buru and Mitsubishi Corporation (MC) entered into an asset transfer agreement with the following effect:

- MC agreed to transfer to Buru its 50% interest in the Ungani Oilfield Production Licences (L20 and L21) and its 50% interest in exploration permits EP 391, EP 428, EP 431 and EP 436.
- Buru agreed to transfer to MC, its 50% interest in EP 371 and its 50% interest in the application for special prospecting authority STP-SPA-0065 and STP-AAA-0031 (SPA).

The applications to approve and register the instruments of transfer were lodged with the then Department of Mines and Petroleum, now the Department of Mines, Industry Regulation and Safety (DMIRS) on 16 June 2017. DMIRS approved the abovementioned instruments of transfer and registered the transfers on 8 January 2018.

Financial

During the December 2017 quarter, the Company recorded a net cash outflow of $8.8 million and at the end of the quarter had a cash balance of $16.8 million. The ASX Appendix 5B attached to this report contains the Company's cash flow statement for the quarter which is summarised as follows:

Cashflows	Dec 2017 Quarter	Sep 2017 Quarter
Production	$1.2m	$1.4m
Development	($7.5m)	($1.9m)
Exploration	($0.9m)	($0.6m)
Administration and Corporate	($1.6m)	($1.2m)
Rights Issue Proceeds	-	$13.7m
Alcoa Loan Repayment	-	($5.0m)
Total cash inflow (outflow)	**($8.8m)**	**$6.4m**
Closing cash	**$16.8m**	**$25.6m**

- **Production:** net cash inflows comprised of Ungani oil sales of 54,981 bbls at a realised price of ~AUD$76/bbl and oil production of 83,870 bbls.
- **Development:** cash outflows comprised costs associated with the Ungani Phase 1 and Phase 2 upgrades, workover operations and ESP installations at the Ungani 1ST1 and Ungani 2 wells and the drilling operations at the Ungani 4 and Ungani 5 wells. These cash outflows will continue into Q1 2018.
- **Exploration:** cash outflows comprised primarily of the ongoing Ungani oil trend evaluation, asset integrity, Traditional Owner engagement costs and desktop geological and geophysical work.
- **Administration and corporate:** cash outflows were slightly higher than the previous quarter, reflecting the current high level of operational activity.

The Company is forecasting a cash outflow of $10.3 million in the March 2018 quarter as set out below.

The current phase of Ungani development, and the associated significant cash outflows are expected to be completed in the March quarter. Production cash inflows for Q2 to Q4 in 2018 are forecast to be significantly higher with a consequent increase of cash on hand as production increases towards the target rate of 3,000bopd.

Cashflows	Mar 2018 Forecast	Dec 2017 Quarter
Production	$1.5m	$1.2m
Development	($9.5m)	($7.5m)
Exploration	($1.0m)	($0.9m)
Administration and Corporate	($1.3m)	($1.6m)
Total cash inflow (outflow)	**($10.3m)**	**($8.8m)**
Closing cash	**$6.5m**	**$16.8m**

- **Production:** Net cash inflows forecast from Ungani oil sales. This estimate allows for the impact that the unprecedented wet weather is currently having on production**.**
- **Development**: The cash outflows include a significant portion of payables and accruals already incurred during the December 2017 quarter associated with the drilling operations at the Ungani 4 and Ungani 5 wells and the Ungani production facility Phase 2 upgrades. Development cash outflows also include the March 2018 forward operations associated with completing the drilling program including the well testing operations and the Phase 3 surface upgrades to hook up the two new Ungani wells.
- **Exploration:** cash outflows include ongoing expenditures relating to desktop geological and geophysical work, ongoing asset integrity and Traditional Owner engagement.
- **Administration and corporate:** cash outflows are estimated to be consistent with previous quarters.

The Company's cash position continues to be carefully monitored to ensure the Company can meet its commitments as and when they fall due.

Schedule of interests in permits as at 31 December 2017

Permit	Type	Ownership	Operator	Location
L6**	Production licence	100.00%	Buru Energy Ltd	Canning Basin, WA
L8	Production licence	100.00%	Buru Energy Ltd	Canning Basin, WA
L17	Production licence	100.00%	Buru Energy Ltd	Canning Basin, WA
L20*	Production licence	100.00%	Buru Energy Ltd	Canning Basin, WA
L21*	Production licence	100.00%	Buru Energy Ltd	Canning Basin, WA
EP 129**	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP 391*	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP 428*	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP 431*	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP 436*	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP 457	Exploration permit	37.50%	Buru Fitzroy Pty Ltd	Canning Basin, WA
EP 458	Exploration permit	37.50%	Buru Fitzroy Pty Ltd	Canning Basin, WA

* *The instruments of transfer for these permits were registered by DMIRS on 8 January 2018.*

** *Excluding the Backreef Area.*

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) 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. It owns 100% of its flagship high quality conventional Ungani Oilfield project and 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.

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.

Forward Looking Statements

This document has been prepared by Buru Energy Limited ABN 71 130 651 437 ("Buru Energy"). This document contains certain statements which may constitute "forward-looking statements". It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including, but not limited to:

price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve and resource estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delays or advancements, approvals and cost estimates.

Buru Energy's operations and activities are subject to regulatory and other approvals and their timing and order may also be affected by weather, availability of equipment and materials and land access arrangements, including native title arrangements.

Although Buru Energy believes that the expectations raised in this document are reasonable there can be no certainty that the events or operations described in this document will occur in the timeframe or order presented or at all.

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