Buru Energy

BRU.AX

18 December 2024

Busy start to CY2025

- **Rafael gas / liquids project partnering and offtake discussions advancing, target agreements in 1QCY2025**
- **Discussions with Ungani oil-field off-takers with the objective of re-starting production and drilling the Mars oil prospect**
- **Divestment of fledgling "green" oriented subsidiaries, Battmin and 2H Resources**

Buru targets a number of commercial events in 1QCY25 to advance the Rafael gas and gas-liquids project. These are discussions with off-takers, developers, and the Northern Australia Infrastructure Fund (NAIF) in tandem with ongoing geological studies to de-risk development, Rafael-1 re-testing and Rafael-2 drilling in CY2025.

Separately, Buru is in discussions with third parties with the objective of re-starting the shut-in Ungani oil field, and to drill the nearby Mars oil prospect. Ungani was shut-in in early 2023 due to weather destruction to the export route and high trucking costs. Alternative models being considered are a resumption of a smaller scale production to supply oil to the local power market.

Divestment of incubating assets, "Battmin" and "2H Resources" is targeted for 1QCY2025, allowing the company to eliminate related costs and focus 100% on Rafael.

Investment Thesis

The Rafael gas resource is potentially transformational and in 2025 Buru plan to FID and enter production in late 2027. The company declares that "long term annual cashflows from late 2027 are in excess current market capitalisation".

Ungani restart back on the agenda. A re-start provides potential cashflow, underpins an operational base that is integral to Rafael, and provides access to markets for liquids from Rafael and possibly, future oil discoveries. In our view, there is strategic value in maintaining production. Our forecasts do not assume a resumption of production, so this is a potential upside event.

Divestment of non-core (2H Resources and Battmin) reduces associated costs, frees up Buru management to focus on the bigger prize at Rafael, and potentially generates cash or in-kind value from the sale.

Valuation A$0.30 (Unchanged)

MST's valuation is a risked cash flow for a Rafael Kimberly gas project, with token value (~2cps) for non-core hydrogen and helium assets in 2H Resources, and Battmin Ltd.

Risks

Buru will require additional funds to develop its projects, and this may not be available. Rafael appraisal may result in lower resources, and development options are reliant on gas markets. As a fossil fuel producer Buru faces societal pressure. There is geological risk involved in the pursuit of new oil targets. Timing of drilling in the Canning Basin is dependent on weather.

Equity Research Australia

Energy

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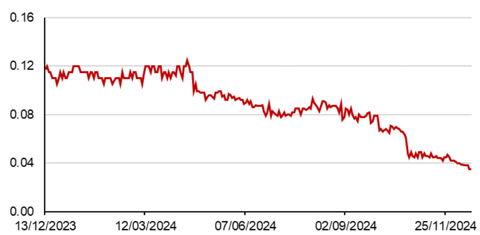
Buru Energy is an oil producer and explores for oil and gas in WA's Canning Basin and is participating in the new energy economy through initiatives in natural Hydrogen, and carbon, capture and storage. www.buruenergy.com.au

Valuation	**A$0.300** *(unchanged)*
Current price	**A$0.039**
Market cap	**A$30M**
Cash on hand	**A$12M est**

Upcoming Catalysts / Next News

Period	
1QCY25	Divest Battmin
1QCY25	Divest 2H Resources
1QCY25	Partnering & offtake for Rafael gas
1QCY25	Rafael funding clarified

Share Price (A$)



Source: FactSet, MST Access

Figure 1: Buru Energy Ltd. Financial summary. All figures in A$ unless otherwise stated.

Market Data	Y/E Dec 31	A$	Lo	Hi
Share price	A$/sh	0.039		
52 week range	A$/sh		0.037	0.13
Shares on issue	M	779		
Perf shrs + Options	M	0.00		
Market Cap	A$M	30		
Net Cash	A$M	2		
Enterprise Value	A$M	28		
Valuation	cps	0.30		

Chart ASX:BRU

Valuation multiples	FY22A	FY23A	FY24E	FY25E	FY26E
EPS	0.00	0.00	0.00	0.00	0.00
PE	-	-	-	-	-
DPS	0.00	0.00	0.00	0.00	0.00
Yield-%	-	-	-	-	-
EBITDAX/sh (US cents)	-	-	-	-	-
P/FCF	-	-	-	-	-
EV/EBITDAX	-	-	-	-	-
EV/(2P+2C)- A$/ GJ	-				
Revenue/MM boe	-	-	-	-	-
EBITDAX/Sales-%	-	-	-	-	-
Net cash (US$M)	17.9	18.2	9.7	4.1	-0.9
ND/(ND+E)	-	-	-	-	-

Realised prices	FY22A	FY23A	FY24E	FY25E	FY26E
Gas- A$/ GJ	0.00	0.00	12.00	12.00	12.00
Oil-US$/bbl	121	80	116	118	120
A$/US$ rate metrics	0.70	0.71	0.68	0.68	0.68
Production (Net)	**FY22A**	**FY23A**	**FY24E**	**FY25E**	**FY26E**
Gas- Bcf	0.00	0.00	0.00	0.00	0.00
Liquids (MMbbl)	0.10	0.04	0.00	0.00	0.00
MMboe	0.1	0.0	0.0	0.0	0.0
% liquids	-	-	-	-	

Rafael Resources (100%)	2P	1C	2C	3C
Gas- Bcf	0	85	220	523
Liquids	1	1.8	4.5	10.6
Total Mmboe	1	16	41	98
% oil		11%	11%	11%

SoP Valuation	Unrisked	Risk	Risked	cps
Ungani 2P	2	100%	1	0.00
Rafael Kimberly power	281	75%	211	0.27
Rafael 2C	47	50%	24	0.03
Yulleroo tight gas	0	0%	0	0.00
GeoVault CCS	8	0%	8	0.01
2H Resources H / He	15	50%	8	0.01
Exploration	10	20%	2	0.00
Net Cash	11		11	0.01
Corporate costs	-28	0%	-28	-0.04
Total equity value	**346**		**236**	
Shares on issue	779		779	
Value Per share	**0.44**			**0.30**

Income statement	FY22A	FY23A	FY24E	FY25E	FY26E
Gas Revenue	0.0	0.0	0.0	0.0	0.0
Oil Revenue	13.9	4.7	0.0	0.0	0.0
Revenue	14.1	10.4	0.4	0.0	0.0
Production costs	7.3	3.5	0.3	0.0	0.0
Corporate costs	3.9	3.0	4.7	3.2	2.6
Other	0.7	1.1	0.0	0.0	0.0
EBITDA	**2.2**	**2.9**	**-4.6**	**-3.2**	**-2.6**
Depreciation & exploration	9.7	7.9	2.1	0.0	0.0
EBIT	-7.5	-5.1	-6.7	-3.2	-2.6
Finance charges	0.0	0.1	-0.3	-0.3	-0.3
Pre-tax profit	-7.5	-5.1	-6.4	-2.9	-2.3
Tax	0.0	0.0	0.0	0.0	0.0
NPAT	**-7.5**	**-5.1**	**-6.4**	**-2.9**	**-2.3**
Impairments	-25.2	0.0	0.0	0.0	0.0
Reported NPAT	-32.8	-5.1	-6.4	-2.9	-2.3
Share count at EOP (M)	596	671	780	780	780

Cash flow	FY22A	FY23A	FY24E	FY25E	FY26E
Receipts from customers	13.9	4.7	0.0	0.0	0.0
Payments to suppliers	-10.2	-6.6	-4.6	-3.2	-2.6
Payments for E&A	-8.5	-6.4	-4.2	0.0	0.0
Interest & other	0.2	0.5	0.7	0.3	0.3
Net cash from ops.	**-4.5**	**-7.8**	**-8.0**	**-2.9**	**-2.3**
Exp & Dev capex	-9.0	-3.9	-9.3	-2.2	-2.2
Divestments/ (acquisitions)	0.0	5.0	3.4	0.0	0.0
Net investing C'flow	**-9.0**	**1.1**	**-6.0**	**-2.2**	**-2.2**
Equity issuance	9.1	8.5	6.0	0.0	0.0
Debt Issue /(repay)	0.0	0.0	0.0	0.0	0.0
Lease Payments	-1.3	-1.2	-0.6	-0.5	-0.5
Net cash Financing	7.8	7.3	5.4	-0.5	-0.5
Increase in cash	-5.8	0.3	-8.5	-5.6	-5.0
Cash at EOP	17.9	18.2	9.7	4.1	-0.9

Balance sheet	FY22A	FY23A	FY24E	FY25E	FY26E
Cash	17.9	18.2	9.7	4.1	-0.9
Receivables & Inventory	2.2	0.8	1.2	1.2	1.2
Exploration & evaluation	10.2	14.8	25.3	27.5	29.7
Oil &gas properties	0.0	0.0	0.0	0.0	0.0
other	3.8	6.1	2.5	2.8	3.1
Total Assets	**34.1**	**39.9**	**38.8**	**35.7**	**33.2**
Payables	2.0	2.7	1.6	1.6	1.6
Debt	0.0	0.0	0.0	0.0	0.0
Other	12.3	14.1	14.5	14.3	14.1
Total liabilities	14.4	16.7	16.1	15.9	15.7
Total equity	19.8	23.2	22.7	19.8	17.5

Source: *MST Access*

Strategy for 2025: 100% focus on oil and gas in the Kimberly

Buru's core asset is it's oil and gas resources, and deep expertise in the Kimberly region in north west W.A. From an exploration perspective, it has been a "tough" area to explore, but nevertheless the Rafael gas discovery in 2021 transforms the company. Buru's current focus is securing partners, finance, off-takers and construction developers, to bring Rafael into production late 2027. Buru aims to have commercial agreements in place in 1Q2025 and if so, this will de-risk the project. We think this would catalyse a share price re-rating.

Divestment of Battmin and 2H Resources

In parallel with Rafael progress, other assets in the hydrogen, helium, and battery-metal space, "Battmin" and "2H Resources" are in the process of being divested. Buru targets 1Q2025 to conclude these divestments. In addition to near term monetary compensation, divestment eliminates outgoings to work these assets and frees up valuable management time that is better dedicated to Rafael.

In addition to divestment of these assets, Buru is rationalising its vast Canning Basin acreage, surrendering areas which are not considered prospective. This reduces exploration expenditure and acreage management commitments, without any degradation to asset value and our investment case.

Progressing Rafael: commercial agreements targeted in 1Q2025.

Rafael#1 was drilled in August 2021 and intersected 120m of gas-bearing reservoir. Figure 2 shows a cross section of the reservoir sequence. Production testing in 1QCY2022 resulted in gas flows to surface of 7.6MMcfd accompanied by condensate of approximately 40 bbls/MMcf.

The flow rate and well data resulted in Buru being assigned a 1C Contingent resource of 85 Bcf and 1.8MMbbls of associated condensate, and a 2C contingent gas resource of 220Bcf. The 1C resource is sufficient to produce 14MMcfd of gas and 250bpd of liquids, over twenty years, from just two wells. Target customers are nearby mine-sites and regional communities which are currently powered by expensive imported diesel, or LNG trucked from the Pilbara gas plants.

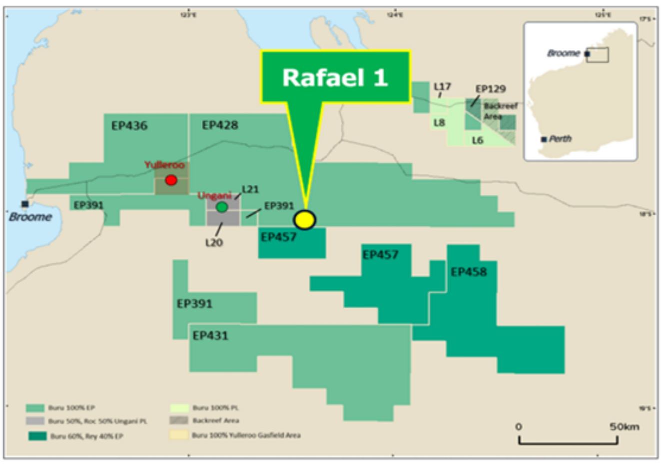
The financial impact of an initial small-scale gas-to-power or gas-to-liquids (LNG) project in the Kimberly region is material.

Buru states in its ASX release on 17 December 2024, that " a Kimberly based gas and liquids business will generate long term annual cashflows from late 2027 in excess of Buru's market capitalisation". Our analysis, based on current whole-sale gas and liquids prices in the Kimberly region, results in annual revenues of ~$60M and field cash flow $50M p.a.

Technical work continues on evaluation of geological and geophysical data to reduce sub-surface risks ahead of planned re-testing at Rafael-1 and drilling of another well, Rafael-2 in CY2025. These are integral to the tandem process of attracting partners, and finance.

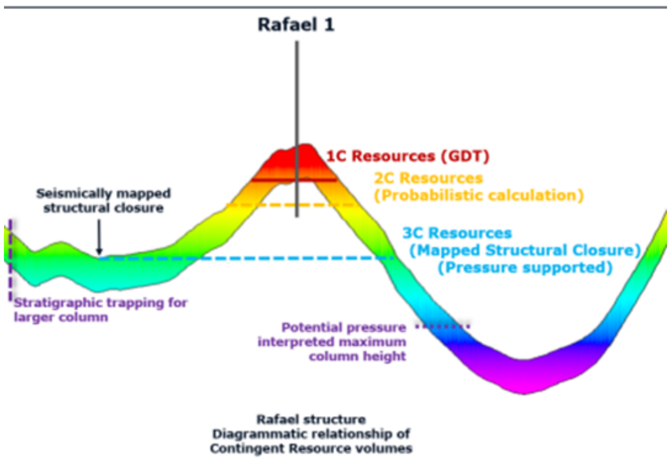
Buru declares that discussion are underway with third parties with a view to securing participation and funding, with commercial terms targeted in 1Q2025. Funding is to be determined. In our valuation, we assume that Buru sells-down 40% of the project in return for a development carry.

Figure 2: Rafael well location, Canning Basin WA



Source: Buru Energy

Figure 3: Rafael schematic cross section



Source: Buru Energy

Ungani re-start: economic and strategic implications

The Ungani oil field was shut-in in January 2023, after weather events washed-out the state-owned road connecting the field to the export facilities at Wyndham. Following repair to the road in late CY2023, operations have not resumed, mostly due to the economics of long-distance trucking to Wyndham, involving a 3-day turn-around. At the time, the Ungani field was producing at ~450bopd but needed ~400bopd to recover fixed and variable transport costs. Given this, operating margins were low and hostage to global oil prices, which since then have reduced by ~US$15/bbl.

Discussions for a re-start are ongoing with third parties, which include alternative transport solutions, or use of the crude oil for regional power generation.

Before the field was shut-in, it was producing at ~400bopd, and most of the revenue was consumed by trucking costs, so continued operation was marginal from an economic perspective, but strategically important as an operational base. Should Buru discover more oil (for example at the Mars prospect) or produce large quantities of gas-liquids from Rafael, then liquids processing, handling and marketing will need to be addressed. The Ungani production site has a number permits and approval to enable operations and maintaining these in good standing may be reduce future regulatory burden.

Valuation A$0.30 (unchanged)

MST's valuation is a sum-of-parts which is predominantly for a small scale, initial Rafael Kimberly gas project, risked at 75% to capture uncertainty as to timing, capex and opex costs and other input assumptions. We assign minimal values to assets to be divested and have updated the cash position following recent equity issuance which raised ~$6.5M after costs on 30 September 2024.

Figure 4: Sum-of-part valuation

Asset Value (A$M)	Method	Unrisked	A$M	CPS	Risk	A$M	CPS
Core E&P assets		Unrisked NAV			Risked NAV		
Ungani 2P	Farm-out	100%	2	0.00	50%	1	0.00
Rafael Kimberly power	DCF to 2047	100%	281	0.36	75%	211	0.27
Net Cash			11	0.01		11	0.01
Core E&P Value			294	0.38		223	0.29
New Vetnures & Other							
Rafael 2C	$/Gje	100	47	0.06	50%	24	0.03
Yulleroo tight gas	Option value		0	0.00		0	0.00
GeoVault CCS	Marker peer value		8	0.01		8	0.01
2H Resources H / He	Market value, GHY peer		15	0.02	50%	8	0.01
Exploration			10	0.01	20%	2	0.00
Corporate costs			-28	-0.04		-28	-0.04
Total new Ventures			52	0.07		13	0.02
Total equity value			346	0.44		236	0.30
Shares on issue			779			779	
Value Per share			**0.44**				**0.30**

Source: MST Access

- Our value for the Rafael Kimberly gas project is based Buru's plan for a small-scale LNG facility to serve gas and power markets in the Kimberly region, exploiting the 1C contingent gas resource. We risk hypothetical future cashflows at 75% due to uncertainty.
- At this time, Buru lacks development funds. We assume a sell-down in the project to 60%, in return for a carry through the development phase. This is a subjective assessment and we expect resolution in early CY2025. Buru targets commercial agreements with potential partners and off-takes in 1Q2025.
- We assign value to the portion of Rafael 1C and 2C gas resource that is not committed to the initial Kimberly project, at 20c/GJe.
- Canning Basin tight gas in Yulleroo is potentially valuable if technologies, capital costs and gas markets align to enable an unlocking of value but until these elements are determined, we assign nil value.
- CCS, 2H Resources and Battmin business units are assigned a positive, but small value. Sale of Battmin and 2H Resources will resolve value uncertainty. We do not assume the results of divestment to result in material cash proceeds, and in context are unlikely to be material compared to our assessment of value for Rafael.
- Ungani oil field restart activity, and potential drilling of the Mars prospect provides upside. Our $1M valuation is small in context to field reserves at shut-in of ~0.7MMbbls. Key to realising value is a solution to the high marketing and transport costs, and a resumption in production.

Risk Factors

- Access to funds is a risk. Buru will require additional capital for Rafael appraisal and future development. Buru will be reliant on external sources for funds, and industry participants until production cashflows are established.
- Our value for the Rafael gas project assumes a farm-out on commercial terms to progress the project. There is risk that Buru may not be able to secure a partner.
- Appraisal drilling of Rafael planed for CY2025, and re-testing of Rafael-1, may result in low size outcomes which would negatively impact development options and value.
- Commercial development of Rafael would require market opportunities to sell gas, and related products, at prices which are volatile.
- Buru is a fossil fuel company, and in general faces increasing pressure from sections of society and Government. Social or Government opposition may delay or defer development.

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Stuart Baker received assistance from the subject company or companies in preparing this research report. The company provided them with communication with senior management and information on the company and industry. As part of due diligence, they have independently and critically reviewed the assistance and information provided by the company to form the opinions expressed in this report. They have taken care to maintain honest and fair objectivity in writing this report and making the recommendation. Where MST Financial Services or its affiliates has been commissioned to prepare content and receives fees for its preparation, please note that NO part of the fee, compensation or employee remuneration paid has, or will, directly or indirectly impact the content provided in this report.

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