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Buru Energy Operations Update

Buru Energy Limited (Buru Energy) is pleased to provide the following update on the Company's operations

Summary

- Ungani EPT continuing with sixth oil cargo sold
- Appraisal activity including well tests progressing
- Rig contract signed for exploration drilling program
- 2014 seismic program underway with 2D program acquisition followed by Jackaroo 3D
- TGS (Laurel Formation Tight Gas Pilot Exploration Program) preparatory works ongoing

Ungani EPT (Extended Production Test)

Production

The Ungani 2 well continues to produce in accordance with current modelling predictions with managed production rates of 800 to 900 bopd. The well is producing minor amounts of formation water (~2.5%) again in accordance with the modelling predictions. Production rates are being managed by maintaining a constant well head pressure of 300 psi to determine the well performance under controlled conditions as part of the EPT data gathering process.

The production from Ungani test phases to date is as follows:

- **Production Test Phase 1:** 31 May 2012 to 30 March 2013: 101,278 bbls
- **Production Test Phase 2:** 9 December 2013 to 31 August 2014: 219,507 bbls

The sixth shipment of 38,000 barrels has been sold and was lifted from the Port of Wyndham on 4 September. The oil has all been sold into Asian refineries under the marketing agreement between Buru Energy and Mitsubishi. The field production and export system is working well with no environmental or operational incidents.

The production data from the field including rate test data, pressure response data and remapping of the 3D seismic data, has been used to undertake dynamic modelling of the reservoir. This work is ongoing but is expected to be able to be used to provide an update on the recoverable resources of the field in due course. This modelling data and the results of the production tests will also form the basis of the field development plan that is currently in preparation.

Approval was recently received from the WA regulator for the next phase of the production test through to 9 December 2014, subject to certain operational and data acquisition conditions.

Negotiations for the required agreements with the Traditional Owners in the area of the proposed production licences for Ungani are continuing with both of the Traditional Owner parties, the Nyikina Mangala and Yawuru people.



Ungani 2 well head and Buru Energy field operator



Ungani site

Facilities

Planning for the upgrade of the Ungani facilities for permanent production is progressing well with several innovative solutions under consideration. The extension of the test phase will allow an optimal solution to be developed using the additional test data.

Negotiations to access the Port of Broome for resumption of export of oil are continuing. Optimisation of the production system out of Wyndham is also a priority for the early commercialisation phase of the project.

Exploration and appraisal activity

Considerable progress has been made on these activities with a contract for a drilling rig being executed, civil works underway for the drilling program and TGS Phase 1 work, and considerable progress being made on the acquisition of this year's seismic program. Farmout negotiations for the Lennard Shelf areas held by Buru Energy are also progressing satisfactorily.

Certain aspects of the proposed programs are subject to further approvals from joint venture parties, Traditional Owners and regulatory authorities.

Appraisal and workover activity

Ungani 1 ST1: The workover to remedy the current downhole problem will now be carried out in a staged manner. Joint venture and regulatory approval for the first stage has now been received and this operation will be commenced shortly. This first phase includes a wireline logging program and a down hole plug. The well will then be put back onto production. Once the production results are obtained and the data is analysed a decision will be made on what further work, if any, is required.

Ungani North 1: With the contracting of the drilling rig which has the capability to quickly and efficiently move and rig up, there is now an option to do a more definitive test on this well and the program is being reviewed in light of this. The test and possible production from this well is a priority for the joint venture.

Ungani 3: An injection test was recently carried out to help establish reservoir properties in the well. The data from this test is being reviewed to determine the best method of completing the well for oil production. As for the Ungani North test, the availability of the rig will give more options to carry out this work which may include a re-completion to fully isolate the water zone to allow a definitive test of the upper zone from which oil was swabbed after the well was completed.

Paradise 1: This well has an identified oil zone in the Winifred member of the Grant Formation which was noted in the original drilling of the well in 2010, and from which free oil was recovered in 2012 during well remediation operations. A review of the most effective method of testing the well is being undertaken. Given the other work that is being undertaken and the impending wet season, this test may need to be delayed until early in the dry season next year.

Exploration drilling



DDH1 rig on location territory illustrating small footprint

After a careful review of the options, Buru Energy, with the approval of the joint venture (including Apache for the Coastal wells), has entered into a fixed price drilling contract with DDH1 Drilling (www.ddh1.com.au) for the use of DDH1 Rig #31, a UDR5000 highly mobile mineral rig which has been converted for oil and gas operations. The rig is currently drilling deep shale gas wells for an operator in the Northern Territory and is expected to be mobilised to the first drilling location for Buru in late October. The rig is capable of drilling cored holes to at least 3,000 metres drill depth and has a small footprint and crew.

It is expected that the use of this rig will result in a material decrease in drilling costs. Although the DDH1 rig is ideally suited for exploration wells, production drilling on discovered fields is likely to still require a standard oil field rig.

Coastal wells: The Coastal farmout to a subsidiary of Apache Energy Limited (Apache) in November 2013 included the commitment by Apache to fund a \$25 million exploration program on EP 390, 438, 471 and 473 (Coastal Permits) in 2014. Two wells have been scheduled for the Coastal Permits in 2014. Both wells will be funded by Apache as part of its \$25 million expenditure commitment on the Coastal Permits.

The first well on EP390, Commodore 1, has been fully approved by all joint venture parties and is expected to be spudded in late October 2014. DDH1 have in the past drilled wells in the Commodore area to similar depths (~1,500 metres) for mineral exploration companies (Admiral Bay lead zinc exploration).

At the completion of Commodore 1 the rig will then be available to undertake workovers and the drilling of the Olympic 1 well, and the order of activity will have regard to operational and approval constraints.

Fitzroy Trough exploration wells

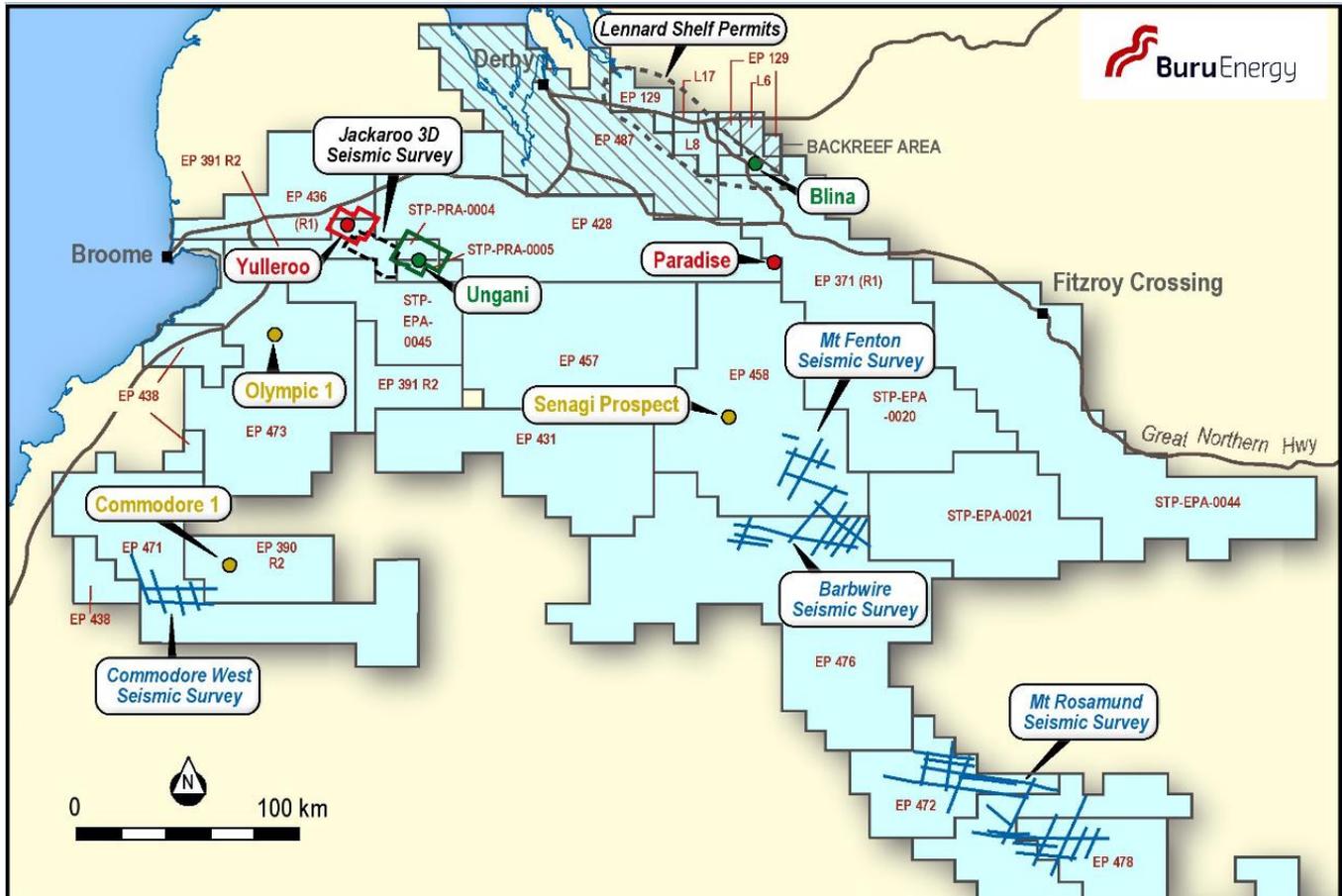
Ungani trend: The Company has identified a number of shallow oil prospects on the greater Ungani trend and recent seismic data acquisition and geological and geophysical interpretation has highlighted the prospectivity of this region.

The Senagi prospect in EP 458 is a shallow (~800 metre) structural target which is updip from a mineral borehole (Camelgooda 1) that encountered a well developed Ungani Dolomite reservoir equivalent with significant oil shows.

Planning for this drilling program is well advanced and the heritage clearance for the site has recently been received. The environmental approval process is currently in progress. Given the timing of other activities and the need to complete drilling programs on other areas, it is now likely that this well will have to be drilled after the wet season, early in the second quarter next year.

Lennard Shelf: Buru holds a number of permits and production licences with 100% equity in this area of historic oil production. The area has received little attention since Buru's acquisition of the first 3D seismic survey in the basin and the drilling of two shallow exploration wells in 2010.

Advances in geological understanding, including the identification of the potential presence of the Ungani Dolomite equivalent play on this northern side of the basin have revitalised interest in the area. A number of shallow, high value oil targets have been identified as well as several innovative high value plays. The Company is currently in advanced discussions with a number of parties for them to farm in to this permit and participate in this year's drilling program with two wells planned.



Location of current Buru Energy activity in the Canning Basin

Seismic programs

The Company has 2D and 3D seismic programs underway to mature drilling targets for 2015 and to meet permit commitments. The surveys are all on prospects with conventional oil prospectivity. No further seismic data is currently required for any tight gas appraisal.

The Commodore West, Barbwire and Mt Rosamund surveys are all being funded by Apache as part of their overall farm in commitment to the Coastal and Acacia blocks. The Jackaroo 3D survey is being funded 50/50 by the Buru/Mitsubishi joint venture, and Mt Fenton is in the Fitzroy Blocks where Buru's funding exposure is a net 41.6%.



Terrex seismic acquisition crew

The surveys are progressing very well with the Terrex seismic crew performing at a high standard. The surveys are supported by Traditional Owner heritage monitors who have also been providing a very professional and high level of support which has ensured the surveys proceed in a culturally appropriate manner. The Traditional Owners accompanying the crews have also considerably enhanced the cultural awareness of the crews.

2D seismic program: The surveys completed and underway to date are as follows:

Survey	Status	Kilometres	Funding
Commodore West 2D	Completed	123	Apache
Mt Fenton 2D	Completed	112	Buru 41.6%
Barbwire 2D	Completed	246	Apache farmin (Buru share 10%)
Mt Rosamund 2D	Line clearing completed, acquisition commenced 8 September	507	Apache farmin (Buru share 10%)
Total 2D surveys		988	

3D seismic program: The planned Jackaroo 3D seismic program has received joint venture approval and the line clearing crew will mobilise from the Mt Rosamund survey area to commence line clearing for the survey as operational conditions allow.

The Jackaroo 3D survey is some 224 sq kms in area and it covers the currently identified Jackaroo conventional oil prospect and a number of other conventional oil prospects along trend from Ungani.

There are two other 3D grids in the area, Ungani which is 240 sq kms and was acquired in 2013, and Yulleroo of 184 sq kms which was acquired in 2011. Reprocessing of the two existing grids has commenced and the new grid will be included as it is acquired such that the three grids will give seamless 3D coverage along the Ungani trend.

TGS (Laurel Formation Tight Gas Pilot Exploration Program)

In accordance with the 3 Phase approach that has been adopted for this project, the Phase 1 activity has commenced and is progressing well. Necessary earth works have been completed at the Asgard and Valhalla North sites and are planned for the Yulleroo site.

The Company notes the presence of a protest camp at the entrance to the Yulleroo access road. However, this action has had no impact on operations to date.

The Company also notes its continuing engagement with the Yawuru Board in relation to its operations at the Yulleroo site, including essential maintenance and environmental monitoring activity.

Corporate and Administrative

Funding for the TGS program is being provided to Buru Energy by draw down on the Alcoa escrow funds on the basis of approved joint venture expenditure programs, and the first drawdown of some \$2.7 million has been approved and will be made later this month.

Negotiations with Mitsubishi in regard to the Ungani Funding Agreement are underway in accordance with the terms of the agreement which called for a review of the terms subsequent to the drilling and evaluation of the Ungani 3 well.

Discussions with NAB in relation to the Ungani project facility are also progressing satisfactorily but it is noted that under current projections the funding under this facility is likely to not be required before mid 2015 after obtaining the Production Licences and progressing the field development plan.

The internal re-organisation of the Company is substantially complete and staff levels are now at a satisfactory level similar to early 2013 numbers. The reduction in staff levels has been in relation to restructuring to match changing project activity and commitments, together with implementation of further stringent cost controls by new management and Board members. The management team structure is now substantially complete and better able to deliver the planned projects.

Joint Venture relationships with Buru's two main partners, Mitsubishi and Apache are strong and aligned and this has assisted in driving efficiencies into the business.

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, S&P/ASX200) 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. Its flagship high quality conventional Ungani Oilfield project is owned in 50/50 joint venture with Mitsubishi Corporation. As well as Ungani, the Company's portfolio includes 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.