

Quarterly Report

Period ended 30 September 2016



ASX:BRU

The Directors of Buru Energy Limited (Buru Energy) are pleased to provide the report for the quarter ended 30 September 2016.

Highlights

- Execution of key Native Title Agreements with the Yungngora and Warlangurru People for the further appraisal and development of the Laurel tight wet gas accumulation in the Valhalla area
- Completion of the prospectivity review of the Ungani trend with many high value conventional oil targets identified
- Balance sheet strengthened by sale of the Yakka Munga pastoral lease for \$9.9 million and Alcoa debt repayment schedule restructured to provide certainty on repayment terms
- Continued focus on restart of Ungani oil production

Production and Development

Ungani Oilfield

The Ungani Oilfield remained shut-in during the quarter. The Buru Energy/Diamond Resources Joint Venture is continuing its extensive review of the alternatives for restarting production from the field and the Company remains committed to restarting production as soon as practicable under appropriate commercial and operational terms. The continued strengthening of the oil price gives confidence that a restart could deliver strong positive cash flows. Discussions in relation to a potential pathway to export the crude through the Port of Broome have continued. Work has also continued on the field upgrades and modifications to ensure the facilities are "future proofed" at startup. This work includes engineering design work on surface facilities and produced water recycling, design and installation of the artificial lift system, and various process control improvements.

Blina and Sundown Oilfields

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

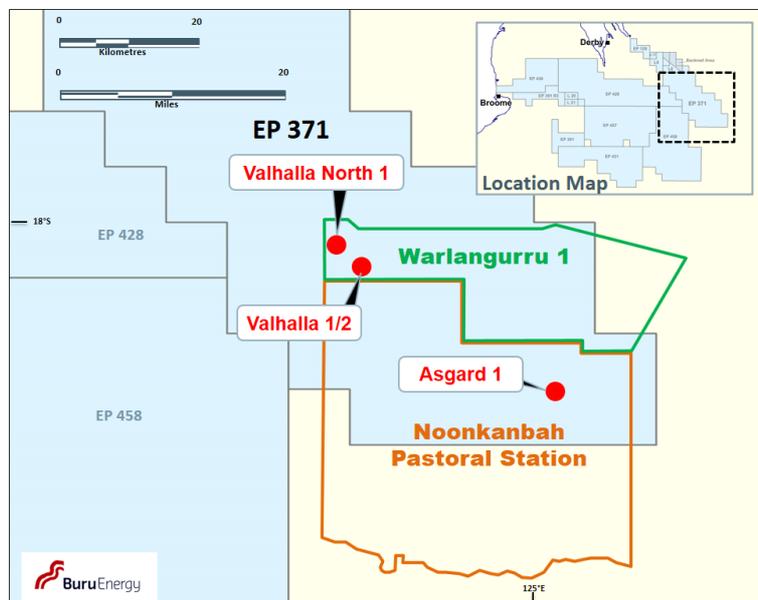
Exploration and Appraisal

Tight Gas Exploration and Appraisal Program

The Joint Venture has taken significant steps forward for the further appraisal and development of the Laurel tight wet gas accumulation in the vicinity of the Asgard and Valhalla wells on Exploration Permit EP 371 with the execution of two key Native Title Agreements. The agreements cover land on the Noonkanbah Pastoral Station and the area to the north of the station. The first agreement was with the Yungngora Aboriginal Corporation RNTBC (the Yungngora People) in the form of an Indigenous Land Use Agreement or ILUA covering the Noonkanbah pastoral station. The second agreement is in the form of a Land Access and Use Agreement (LAUA) with the Warlangurru People in relation to the land the subject of the application for native title in Federal Court WAD 509/2015, also known as the Warlangurru No 1 claim.

The agreements provides for, amongst other matters, the support of the Yungngora People and the Warlangurru People (the Traditional Owners), for the future grant of the tenure required for the further development of the gas resources in the area. The agreements will deliver significant financial and other benefits for the Traditional Owners and include structured processes for managing cultural, heritage and environmental matters. The agreements also focus on employment and training opportunities for Traditional Owners, building on the highly successful employment and training programs during the 2015 well operations.

The engagement of Traditional Owners in Buru Energy's activities in EP 371 has been exceptional, and has greatly facilitated the success of the program. The two agreements cover the central and most prospective area of the Laurel Formation accumulation in this part of the basin.



Location map of Native Title Areas

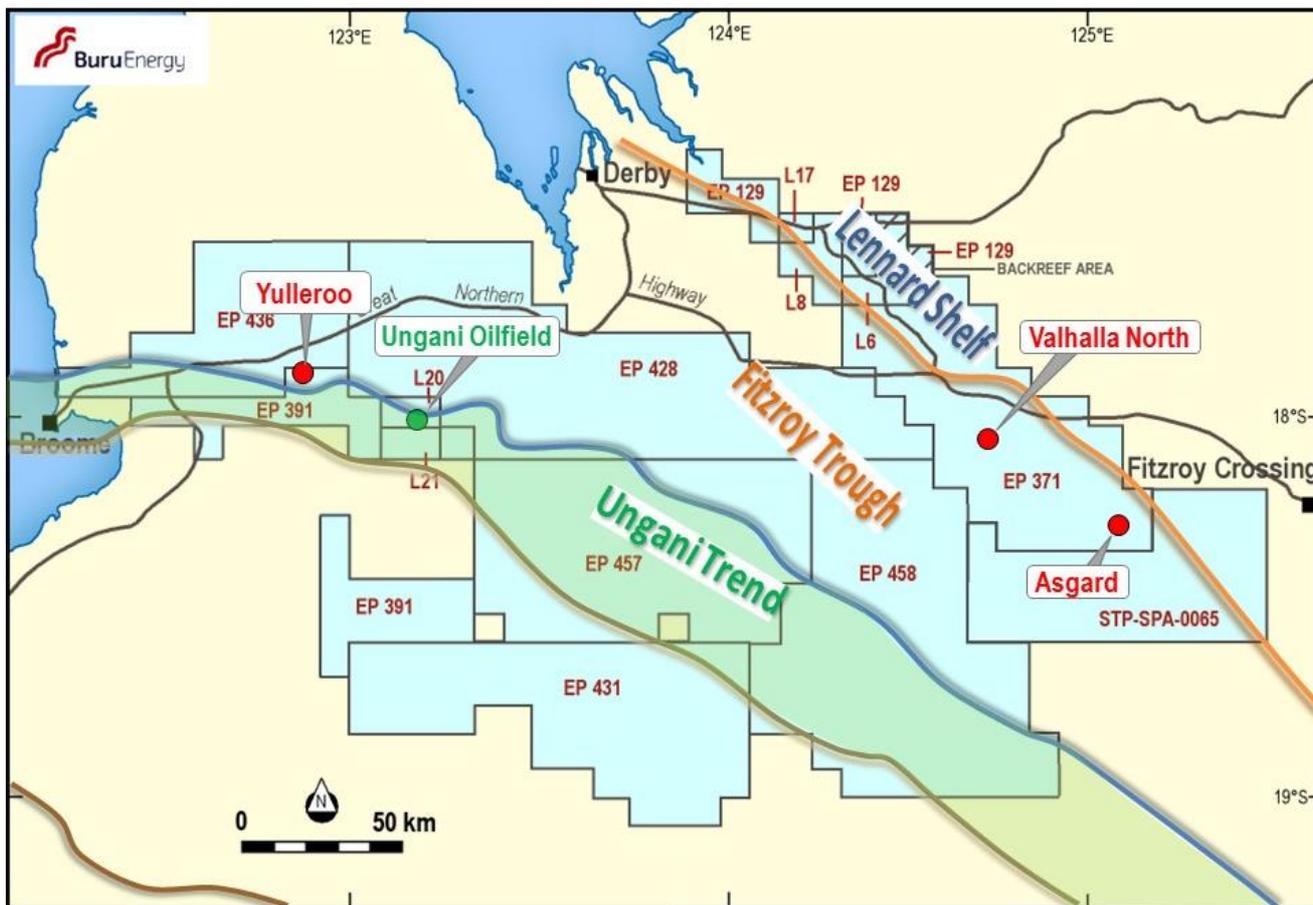
Technical analysis of the data obtained from the fracs undertaken on the Asgard 1 and Valhalla North 1 wells continued and a review of the forward program for these wells was also commenced, together with discussions with potential farmin parties for the further appraisal and development of the resource.

Ungani Conventional Oil Trend Exploration Prospectivity

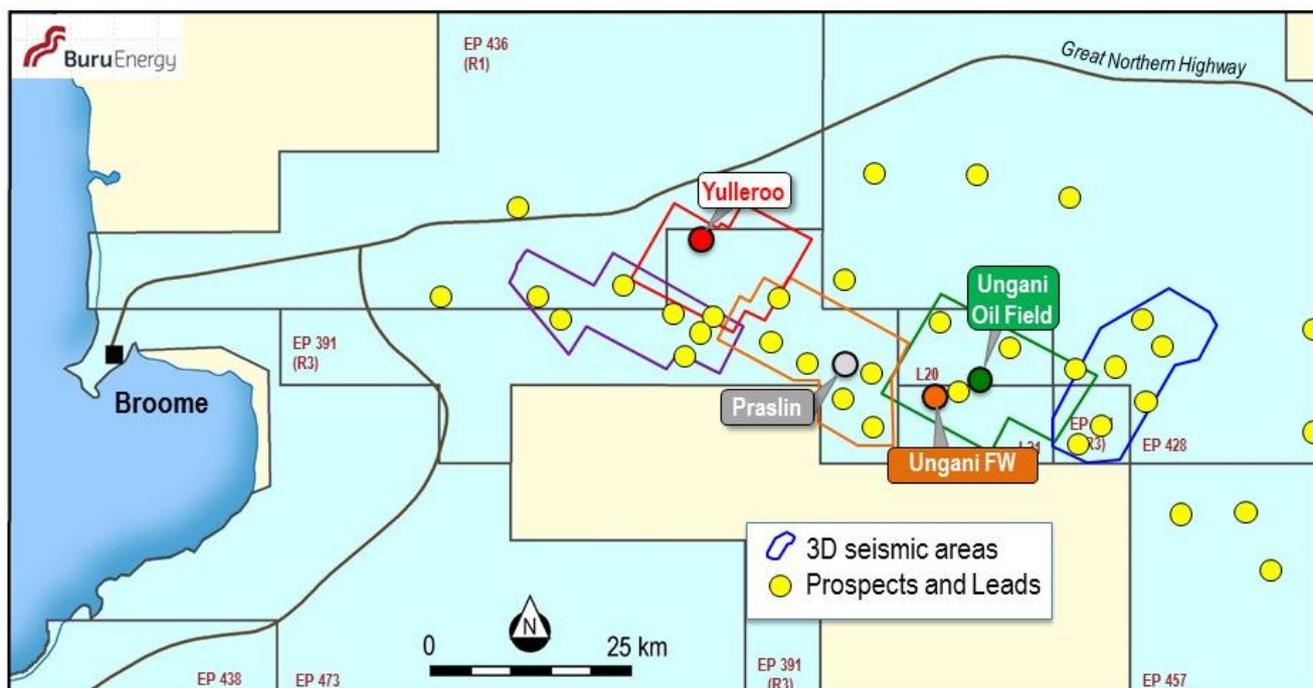
During the quarter, the Joint Venture completed the prospectivity review of the Ungani trend for future oil drilling targets. The interpretation of the large body of data obtained from the six wells drilled in 2015 and the merged 3D data set of over 1,050 sq kms has been very encouraging and has identified a number of high potential conventional oil targets. Native Title heritage clearances and environmental surveys for up to 10 of these prospects will be undertaken during the next quarter to ensure locations are available for drilling during the 2017 dry season. Preliminary discussions with rig contractors for supply of a suitable rig for the 2017 program have also commenced.

In order to ensure an orderly exploration program focused on the highest value targets in an appropriate time frame, the Joint Venture has undertaken a review of the exploration work commitments on its permits and subsequent to

this has approached the Western Australian DMP with applications for a modified 2016/2017 work program. These applications have now been approved, with the result that there are no further permit work commitments in 2016, and the 2017 field work program consists of one exploration well and one well stimulation with production testing. These modifications will allow the 2017 program to focus on those activities that are the highest value, and facilitate funding flexibility.



Ungani Trend location map



Ungani Trend exploration prospects

Corporate

Sale of Yakka Munga Pastoral Station

During the quarter, the Company completed the sale of the Yakka Munga Pastoral Station to Shanghai Zenith (Australia) Investment Holding Pty Ltd (“SZI”) for a contract price of \$8.8 million. In addition to the contracted sale price, SZI paid the Company a further \$1.1 million for additional cattle on the property. The further payment resulted in Buru receiving a total of \$9.9 million for the station before costs (\$9.7 million after costs).

Buru originally acquired the Yakka Munga Pastoral Station in early 2015 for \$7.0 million. The station was a profitable investment for the Company and the access deed entered into with the new owners will ensure Buru is able to carry out all of its petroleum activities whilst maintaining a mutually beneficial relationship with the pastoral activities of the new owners.

Alcoa gas sales contract

During 2015, Buru and Alcoa terminated the \$40 million gas sales agreement between the parties and following Buru’s repayment of \$15 million on 4 August 2015, the repayment terms of the remaining \$25 million liability to Alcoa were agreed as follows:

- \$12.5 million to be paid on 30 June 2017; and
- \$12.5 million to be paid on 30 June 2018, subject to the Company having a cash balance of at least \$15 million during the period from December 2017 to June 2018.

During the September 2016 quarter, Buru and Alcoa reached a further agreement under which Buru may repay to Alcoa the sum of \$12.5 million on or before 28 December 2016, and if it does so, the final instalment of \$12.5 million will be due for payment on 30 June 2018, without the need for the Company to have to satisfy any financial conditions prior to that date, giving certainty on the repayment terms.

Financial

During the quarter, Buru Energy received \$9.7m for the sale of the Yakka Munga Pastoral Station (after costs) and \$5.8m in relation to Research and Development credits. At the end of the quarter, the Company had cash reserves of \$35.8m. The ASX Appendix 5B attached to this report contains the Company’s cash flow statement for the quarter ended 30 September 2016 with the Company recording a net cash inflow of \$11.9m for the quarter (June 2016 net cash outflow of \$6.9m). The other material elements of the cash flows during the quarter were as follows:

- Exploration expenditure of \$2.2m for the quarter (June 2016: \$5.1m), comprised primarily the ongoing Ungani oil trend evaluation, technical TGS evaluation and desktop geological and geophysical work.
- Ungani development expenditure of <\$0.1m for the quarter (June 2016: <\$0.1m).
- Ungani production operating expenditure of \$0.2m for the quarter (June 2016: \$0.7m) which comprised Ungani oilfield care and maintenance costs.
- Staff, administration and corporate costs of \$1.2m for the quarter (June 2016: \$1.2m) which continued to be in line with expectations.

The Company is forecasting a cash outflow of \$15.6m in the December 2016 quarter:

- **Exploration:** Cash outflows are estimated at \$1.8m and primarily include Ungani oil trend evaluation, the ongoing technical TGS evaluation and ongoing desktop geological and geophysical work, as well as expenditures relating to ongoing asset integrity and Traditional Owner engagement.
- **Development:** <\$0.1m.
- **Production:** Cash outflows are estimated at \$0.1m in relation to the Ungani oilfield care and maintenance costs.
- **Staff, administration and corporate:** Cash outflows are estimated at \$1.2m, consistent with previous periods.
- **Alcoa loan repayment** – Cash payment of \$12.5m on or before 28 December 2016 as stated above.

The Company's cash position continues to be carefully monitored to ensure the Company can meet its commitments as and when they fall due and the Company continues to rationalise its operating and administrative overheads with further staff attrition from redundancies and resignations with a continued focus on reducing operating costs and general expenditure.

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. Its flagship high quality conventional Ungani oilfield project is owned in 50/50 joint venture with Diamond Resources (Fitzroy) Pty Ltd. 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.

Schedule of interests in permits as at 30 September 2016

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	50.00%	Buru Energy Ltd	Canning Basin, WA
L21	Production licence	50.00%	Buru Energy Ltd	Canning Basin, WA
EP129	Exploration permit	100.00%	Buru Energy Ltd	Canning Basin, WA
EP371	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP391	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP428	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP431	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP436	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP438*	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP457	Exploration permit	37.50%	Buru Fitzroy Pty Ltd	Canning Basin, WA
EP458	Exploration permit	37.50%	Buru Fitzroy Pty Ltd	Canning Basin, WA
EP471*	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP472*	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP473*	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP477*	Exploration permit	50.00%	Buru Energy (Acacia) Pty Ltd	Canning Basin, WA
EP478*	Exploration permit	50.00%	Buru Energy (Acacia) Pty Ltd	Canning Basin, WA
PL7	Onshore pipeline licence	100.00%	Buru Energy Ltd	Canning Basin, WA

* Applications to surrender these permits with effect from 31 January 2016 were lodged with the DMP on 21 December 2015. Formal approval of these applications was received on 27 October 2016.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96. Origin: Appendix 8. Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

BURU ENERGY LIMITED

ABN

71 130 651 437

Quarter ended ("current quarter")

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	834
1.2 Payments for		
(a) exploration & evaluation	(2,235)	(8,891)
(b) development	(12)	(227)
(c) production / care and maintenance	(178)	(1,824)
(d) staff costs	(522)	(1,933)
(e) administration and corporate costs	(712)	(1,778)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	208	651
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refund	5,814	5,814
1.8 Other (pastoral lease activities)	(112)	(329)
1.9 Net cash from / (used in) operating activities	2,251	(7,683)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(48)	(48)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other (pastoral lease)	9,654	9,654
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	9,606	9,606

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	23,926	33,896
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,251	(7,683)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	9,606	9,606
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	3	(33)
4.6	Cash and cash equivalents at end of period	35,786	35,786

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	2,556	3,843
5.2 Call deposits	33,230	20,083
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	35,786	23,926

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	232
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

N/A

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Alcoa Liability

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(1,800)
9.2 Development	-
9.3 Production (care and maintenance)	(70)
9.4 Staff costs	(500)
9.5 Administration and corporate costs	(700)
9.6 Alcoa loan repayment	(12,500)
9.7 Total estimated cash outflows	(15,570)

Mining exploration entity and oil and gas exploration entity quarterly report

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	EP 476	An application to surrender this permit with effect from 31 January 2016 was lodged with the DMP on 21 December 2015. The surrender of the permit was formally approved on 23 September 2016.	50%	0%
		EP 438 EP 471 EP 472 EP 473 EP 477 EP 478	Applications to surrender these permits with effect from 31 January 2016 were lodged with the DMP on 21 December 2015. Formal approval of these applications were received on 27 October.	50%	50%
10.2	Interests in mining tenements and petroleum tenements acquired or increased		No change in interest		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 

Date: 28 October 2016

Company secretary

Print name: Shane McDermott

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.