

# Quarterly Report

Quarter Ended:  
31 March 2009



## Introduction

The directors of Buru are pleased to present the report of the Company for the quarter ended 31 March 2009.

Buru is an Australian company focused on exploring and developing petroleum resources in its current acreage in the Canning Basin in the Kimberley region of northwest Western Australia.

On 20 April 2009 the Company announced that it had received a Proposal from Arenite Pty Ltd to acquire all of Buru's shares and listed options in cash for 25 cents per Buru share and 2.5 cents per Buru listed option. For further detail on the Proposal shareholders and optionholders should refer to the Company's announcement on 20 April 2009. A scheme booklet containing more details will be sent to shareholders and optionholders as outlined below.

## Strategy

The Company's strategy is to explore for and develop petroleum and energy resources to deliver material benefits to its shareholders, the community and the traditional owners in the areas in which it operates. At this time the Company operates in the Canning Basin.

## Financial

Appendix 5B to this report contains the cash flow statement for the quarter with the key highlights being:-

- Blina and Sundown oil fields produced an operating surplus of \$0.1 million;
- Exploration expenditure comprised ongoing technical work, permit management, preparation for the 2009 seismic surveys including environmental and heritage clearances, regional geological analysis by external consultants and carryover costs for the Pijalinga seismic survey heritage clearance;
- Interest income included \$0.7 million on the \$20 million held in escrow for Alcoa of Australia Limited that was placed on six month term deposit at the time Buru demerged from ARC;
- Fixed asset expenditure primarily pertains to improvements to the Fairway Rig to enable it to be contracted out for work overs on day rate charges and a replacement generator at the Blina oil field.

At the end of the quarter the Company had net cash reserves of over \$58 million available for exploration, development and investment, and has a capital structure that provides significant upside potential for shareholders from even a modest commercial oil or gas discovery.

<b>Issued Capital (as at date of this report)</b>		<b>Financial Resources (as at the end of the quarter)</b>	
Ordinary Shares:	162,119,728	Total Cash	\$78,916,350 (*)
Options (listed):	55,176,975	Free Cash	\$58,188,416 (*)
Options (unlisted):	28,300,000	Debt	Nil

(\*) \$20.7 million of the Company's total cash is held in an account on behalf of Alcoa in accordance with the Company's commitment to Alcoa as described in section 2.1 of the attached Appendix 5B, until Buru delivers gas under a Gas Sales Agreement.

The Company has a strong net cash position of some \$58 million, low cost oil production from existing fields in the Canning Basin and an extensive exploration portfolio.

## Production and Development

The Company continues to produce oil from the Blina and Sundown oil field complex contained within the L6 and L8 licences in the Canning Basin in the northwest of Western Australia.

Cash receipts from the Blina and Sundown oil field complex were down during the March 2009 quarter to \$787K (December 2008 quarter \$1,410K). This was a direct result of the heavy seasonal rain impacting production and transportation together with reductions in production levels from some wells and lower prices realised on oil sold. The net operating surplus from production was \$0.1 million for the quarter.

Technical studies are continuing to assess further activities to increase production from these fields with a view to undertaking this work once economic conditions support allocating funds to these activities.

## Drilling

The Company was not directly involved in any drilling during the March 2009 quarter. The current state of the global economic environment and current oil prices has resulted in the Company deferring drilling activities to the 2010 dry season. In 2009, the Company will focus on acquiring additional 2D and 3D seismic data in preparation for these drilling activities.

## Exploration

Exploration activities during the quarter focused on:

- preparation for the 2009 seismic surveys, including environmental and heritage clearances
- ongoing technical work specifically in relation to regional geological analysis; and
- permit management activities focusing on restructuring the Company's financial obligations.

As outlined by the Company on 12 January 2009, economic conditions have reduced and focused the Company's resources on areas capable of generating economic returns for shareholders.

The Company expects to continue its technical review and prospect identification and refinement process in 2009 in preparation for drilling activities in the 2010 dry season. An integral part of this review and prospect identification is the plan to acquire over 200 km<sup>2</sup> of 3D seismic data over the existing oil fields in production licence L8 and over 100 km of 2D seismic data over the Paradise 1 structure in exploration permit EP 428 with the intention of drilling this prospect in the 2010 drilling season. Discussions with contractors, Government and traditional owners in this regard are progressing.

Provided the seismic data supports the current technical work, the Company expects the 2010 drilling program to include one or two wells in the Sundown oil field area in production licence L6 or EP 129 and the Paradise 1 well in EP428. The Sundown well or wells would target oil accumulations intended to increase production from the existing production licence whilst the Paradise 1 well would target both oil and gas resources.

## Corporate

As released to the market on the 20 April 2009, Arenite Pty Ltd, (a Company associated with the current Chairman of Buru, Mr Eric Streitberg), has submitted a proposal to acquire all of Buru's shares and listed options. The consideration of the proposal is 25 cents in cash for each Buru share and 2.5 cents in cash for each Buru listed option. The proposal will be conducted by schemes of arrangement to be voted on by Buru shareholders and listed option holders.

A scheme booklet setting out full details of the Proposal is currently being prepared to assist Buru shareholders and listed optionholders to fully understand and evaluate the Proposal. Included in the proposal will be an independent expert's report, prepared by PricewaterhouseCoopers which will report on whether the Proposal is in the best interests of Buru shareholders and listed optionholders.

If the proposal is supported by shareholders and listed optionholders, and gains approval by the Federal Court, it is expected that the proposal will be completed by mid July 2009. The scheme booklet is expected to be sent to shareholders and listed optionholders at the end of May 2009 with the scheme meetings expected to be held in late June 2009.

## Glossary

Buru or the Company	Buru Energy Limited (ASX code: BRU)
ARC	ARC Energy Limited
Alcoa	Alcoa of Australia Limited
GSA	Gas Sales Agreement
bopd	Barrels of oil per day
km <sup>2</sup>	Square kilometres
Options (unlisted)	Unlisted directors and employee options
Options (listed)	Options listed on the ASX under the code: BRUO
VWAP	Volume Weighted Average Price

## Managing Director's Comments

*The Company continues to prepare for its seismic acquisition program that is expected to commence in the September quarter this year. The program comprises the first ever 3D data acquisition in the Canning Basin which will be over the Sundown oil field area and additional 2D data acquisition over the Paradise 1 structure ahead of the planned drilling program in 2010. The programs are currently awaiting heritage clearances before acquisition commences.*

*As outlined last quarter, in light of the current economic conditions the Company is focusing its activities in areas where any discoveries have the potential to be economic. We will continue to prudently manage the Company's net cash reserves, which remain strong at \$58 million.*

*In relation to the proposal made by Arenite, announced on 20 April 2009, the Company is in the process of preparing the scheme booklets for consideration by the Federal Court before shareholders and optionholders receive them for their consideration.*

*Adrian Cook  
Managing Director*

**Buru Energy Limited**  
ABN 71 130 651 437

Address: Level 1, 418 Murray Street, Perth WA 6000  
Postal Address: PO Box 7794, Perth Cloisters Square WA 6850

Communications: Free call: 1800 337 330 or Email: [info@buruenergy.com](mailto:info@buruenergy.com)



# Appendix 5B

## Mining exploration entity quarterly report

Name of entity

<b>BURU ENERGY LIMITED</b>
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ABN

<b>71 130 651 437</b>
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Quarter ended

<b>31 March 2009</b>
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### Consolidated statement of cash flows

	Current quarter \$A	Year to date (9 months) \$A
<b>Cash flows related to operating activities</b>		
1.1 Receipts from:		
(a) product sales and related debtors	787,274	2,377,802
(b) other income	10,010	10,010
1.2 Payments for:		
(a) exploration and evaluation	(1,320,761)	(5,498,645)
(b) development	(5,715)	(673,642)
(c) production	(700,151)	(1,676,658)
(d) administration	(598,354)	(1,951,258)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1,312,017	2,275,524
1.5 Interest and other costs of finance paid	(542)	(1,270)
1.6 Income taxes paid	-	-

## Mining exploration entity quarterly report

1.7	Other – security deposits and prepaid business interruption insurance	(98,600)	(437,532)
	<b>Net operating cash flows</b>	<b>(614,822)</b>	<b>(5,575,669)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) fixed assets	(165,890)	(552,631)
1.9	Proceeds from sale of:		
	(a) fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Other	-	-
	<b>Net investing cash flows</b>	<b>(165,890)</b>	<b>(552,631)</b>
1.12	Total operating and investing cash flows (carried forward)	<b>(780,712)</b>	<b>(6,128,300)</b>
1.13	Total operating and investing cash flows (brought forward)	<b>(780,712)</b>	<b>(6,128,300)</b>
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of ordinary shares, options, etc	-	1
1.15	Proceeds from issue of preference shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Cash received from demerger with ARC Energy Limited	-	84,986,578
	<b>Net financing cash flows</b>	<b>-</b>	<b>84,986,579</b>

## Mining exploration entity quarterly report

	<b>Net increase (decrease) in cash held</b>	<b>(780,712)</b>	<b>78,858,279</b>
1.20	Cash at beginning of quarter/year to date	79,697,959	-
1.21	Exchange rate adjustments to item 1.20	(897)	58,071
	<b>Cash at end of quarter including cash held in escrow</b>	<b>78,916,350</b>	<b>78,916,350</b>
	Less cash held in escrow	(20,727,934)	(20,727,934)
1.22	<b>Cash at end of quarter</b>	<b>58,188,416</b>	<b>58,188,416</b>

**Payments to directors of the entity and associates of the directors****Payments to related entities of the entity and associates of the related entities**

		<b>Current quarter</b>
		<b>\$A</b>
1.23	Aggregate amount of payments to the parties included in item 1.2	146,531
1.24	Aggregate amount of loans to the parties included in item 1.11	-

1.25 Explanation necessary for an understanding of the transactions

## Mining exploration entity quarterly report

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Buru Energy and Alcoa have agreed to escrow \$20 million and interest thereon in partial satisfaction of Buru Energy's obligations to repay a \$40 million gas prepayment made by Alcoa to ARC prior to the demerger of Buru Energy. These financial obligations crystallise if Buru Energy does not deliver gas under the GSA from gas supplied from the Canning Basin or elsewhere, with repayment obligations being in three equal annual instalments commencing in 2013. During the March 2009 quarter, this cash balance in escrow received interest totaling \$727,934 taking the total escrowed cash balance to \$20.728 million.

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available	Amount used
	\$A	\$A
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

**Estimated cash outflows for next quarter**

	\$A
4.1 Exploration and evaluation	1,250,000
4.2 Development	-
<b>Total</b>	<b>1,250,000</b>

## Mining exploration entity quarterly report

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter	Previous quarter
		\$A	\$A
5.1	Cash on hand and at bank	27,967,185	29,478,099
5.2	Deposits at call	30,100,555	30,100,000
5.3	Bank overdraft	-	-
5.4	Other (share of joint venture cash)	120,676	119,860
<b>Total: cash at end of quarter (item 1.22)</b>		<b>58,188,416</b>	<b>59,697,959</b>
Cash held in escrow		<b>20,727,934</b>	<b>20,000,000</b>
<b>Total: cash at end of quarter including cash held in escrow</b>		<b>78,916,350</b>	<b>79,697,959</b>

**Changes in interests in mining tenements**

Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	N/A	N/A

Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.2	Interests in mining tenements acquired or increased	N/A	N/A

## Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

		<b>Total number</b>	<b>Number quoted</b>	<b>Issue price per security</b>	<b>Amount paid up per security</b>
7.1	<b>+Preference securities</b> <i>(description)</i>	N/A	N/A	N/A	N/A
7.2	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3	<b>+Ordinary securities</b>	162,119,728	162,119,728	N/A	N/A
7.4	Changes during quarter				
	(a) Increases	N/A	N/A	N/A	N/A
	Issued shares	-	-	-	-
	Options exercised	-	-	-	-
	Options exercised	-	-	-	-
	(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5	<b>+Convertible debt securities</b>	N/A	N/A	N/A	N/A
7.6	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through securities matured, converted	-	-	-	-

## Mining exploration entity quarterly report

7.7 Options			<i>Exercise price</i>	<i>Expiry date</i>
	55,176,975	55,176,975	\$0.94	10 Oct 2010
	<u>28,300,000<sup>(a)</sup></u>	-	\$0.94	27Aug 2010
	83,476,975	55,176,975		
7.8 Issued during quarter	400,000	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Forfeited during quarter	(6,000,000)	-	-	-
7.11 <b>Debentures</b> ( <i>totals only</i> )	N/A	N/A		
7.12 <b>Unsecured notes</b> ( <i>totals only</i> )	N/A	N/A		

(a) *Unlisted options – issued under the Buru Energy D&E Options employee share scheme*

## Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.



Sign here: .....

Date: 24 April 2009

Print name: **ADRIAN COOK**  
(Chief Executive Officer)

### 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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

Mining exploration entity quarterly report

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5        **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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