

Buru Energy Limited ACN 130 651 437 ("Buru")

CORPORATE GOVERNANCE STATEMENT

Buru was incorporated on 16 April 2008 for the purposes of holding the assets demerged from ARC Energy Limited ("ARC") pursuant to a scheme of arrangement between ARC and its shareholders ("Scheme"). Buru remained a wholly owned subsidiary of ARC until 25 August 2008. To transition Buru to a publicly listed company the directors of Buru have adopted the corporate governance policies used by ARC. Summaries of these policies will be published on Buru's website in due course.

This Corporate Governance Statement discloses the extent to which Buru has followed the best practice recommendations set by the ASX Corporate Governance Council ("Council") in the Corporate Governance Principles and Recommendations.

Principle 1. Lay solid foundations for management and oversight

The Board is responsible for setting the direction and objectives of Buru. The Board delegates to management the responsibility for implementing the objectives of Buru and the day to day management of Buru (subject to certain limitations on such delegations). The limitations are primarily imposed by approved corporate budgets and corporate strategy which are set by the Board.

The evaluation of performance of senior executives will be carried out on at least a bi-annual basis, in formal discussion with each individual senior executive. The first evaluations will take place once Buru has been operating as a stand alone entity for at least six months.

Principle 2. Structure the board to add value

Composition of the Board

The Board currently consists of three directors. Buru Board intends to appoint an additional independent non-executive director following Buru's transition to a publicly listed company and the conduct of an appropriate recruitment process. The Board has adopted the Council's definition of an "Independent Director" and will assess the independence of each Director annually in light of the interests declared by them.

The status of each Director as of the date of this statement is as follows:

Director	Non-Executive	Independent
Mr EC Streitberg	Yes	No
Mr AC Cook	No	No
Mr G Riley	Yes	Yes

Mr Streitberg is the Chairman of the Board. Mr Streitberg previously held the position of Managing Director at ARC and was involved in managing the assets of Buru. Therefore, he is not considered to be an independent director. Despite that, the other Directors consider that Mr Streitberg's qualifications and experience as a company director make him suitable for a position of Chairman of the Buru Board.

Mr Cook is the Managing Director of Buru and therefore is also not an independent director.

Mr Riley is currently the only independent director.

The profiles of the Directors are set out in section 9.9 of the Scheme Booklet dated 1 July 2008 published by ARC in relation to the Scheme.

Independent professional advice

Each Director has the right of access to all relevant company information and to Buru executives and, subject to prior consultation with the Chairman, may seek independent professional advice at Buru's expense.

Nomination Committee

Because of the present size of Buru and the Board, the Board as a whole acts as the Nomination Committee. The Board will consider the necessity for a separate Nomination Committee as appropriate.

Performance review

Board effectiveness is monitored through the Board as a whole and assessment of Directors individually. The first evaluations of the Board and individual Directors will take place once Buru has been operating as a stand alone entity for at least six months.

Principle 3. Promote ethical and responsible decision making***Code of conduct***

Directors and officers of Buru are required to follow a code of conduct designed to enhance the ethical conduct of Buru and promote the level of integrity which is expected of Directors and officers. The code of conduct addresses amongst other things:

- (a) conflicts of interest and the manner in which they should be dealt with;
- (b) corporate opportunities and the prevention of Directors and officers deriving personal benefit with information gained from Buru;
- (c) compliance with all laws and regulations; and
- (d) reporting of unlawful or unethical behaviour and protection for 'whistleblowers'.

Share trading policy

Directors, officers, employees and contractors who work directly with Buru are restricted from trading in Buru's securities without informing the Company Secretary prior to purchasing or selling securities. Clear restrictions are also placed on the timing of when transactions may occur.

Principle 4. Safeguard integrity in financial reporting***Process***

The Board has put in place a structure to independently verify and safeguard the integrity of Buru's financial reporting. This includes:

- (a) the review and consideration of the accounts by the non-executive Audit Committee;
- (b) the appointment of an independent and competent external auditor to report to the Audit Committee; and
- (c) certification of the accuracy and integrity of the financial reports and reporting systems by the Managing Director.

Audit Committee

Because of the present size of Buru and the Board, the non-executive Directors will collectively act as the Audit Committee until the appointment of an additional independent Director, at which point the composition of the Audit Committee will be reviewed. The number of meetings held and attendance records of the Audit Committee will be detailed in Buru's next Financial Statements.

The principal terms of the charter of the Audit Committee are as follows:

- (a) The membership of the Audit Committee shall consist of at least two and up to three members, each of whom are appointed by the Board. The Audit Committee of Buru is currently comprised of two members all of whom are non-executive Directors, however, only one of them is independent.
- (b) The Board should appoint the committee chairperson and determine the period for which they shall hold office. The Chairman of Buru shall not be eligible to be appointed as chairperson of the Audit Committee. Mr Riley will act as the chairperson of the Audit Committee until the composition of the Audit Committee is reviewed following the appointment of an additional independent Director.
- (c) In order to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence, the Audit Committee chairperson and members of the Audit Committee should be rotated on a regular basis where this is possible and practicable.

The members of the Audit Committee as at the date of this statement are Mr Streitberg and Mr Riley.

The external auditors, the Managing Director and selected members of Buru's finance staff may be invited to Audit Committee meetings at the discretion of the Audit Committee.

Principle 5. Make timely and balanced disclosure

Buru has put in place mechanisms designed to ensure compliance with ASX Listing Rules requirements so that all investors will have equal and timely access to material information concerning Buru, including its financial situation, performance, ownership and governance. These processes also ensure that public announcements are factual and presented in a clear and balanced way, disclosing both positive and negative information.

Principle 6. Respect the rights of shareholders

The Board will communicate effectively with shareholders, giving them ready access to balanced and understandable information about Buru, and making it easy for them to participate in general meetings. To this end it has adopted a public relations and communications system that is used for internal control purposes.

Principle 7. Recognise and manage risk

Risk management system

The Board as a whole works to establish and maintain a sound system of corporate and commercial risk oversight and management and internal control by identifying, assessing, monitoring and managing Buru's risk exposure. It also informs investors of material changes to Buru's risk profile.

The Board does not delegate this work to a committee because of the size of the company but may assign certain tasks to committees. The oversight and management of operational risk is managed through Buru's risk management system. An integral part of Buru's risk management system is the ability to respond to corporate and operational emergencies. This is achieved through Buru's crisis and emergency management plan.

Certification

The Managing Director is required to state to the Board in writing that:

- (a) the statement given on the integrity of financial statements is founded on a sound system of risk management and internal compliance and control, which implements policies adopted by the Board; and
- (b) Buru's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

A summary of Buru's policies on risk oversight and management of material business risks will be published on Buru's website in due course.

Principle 8. Remunerate fairly and responsibly

The Board recognises that it must ensure that the level and composition of remuneration is sufficient and reasonable and that there is a clear link between remuneration and individual and corporate performance.

Remuneration Committee

Because of the present size of Buru and the Board, the non-executive Directors will collectively act as the Remuneration Committee until the appointment of an additional Independent Director. The Remuneration Committee will advise on remuneration policies and implementation of those policies to meet the needs of Buru and enhance corporate and individual performance. The composition of the Remuneration Committee will be reviewed following appointment of an additional independent Director.

The objective of policy on executive remuneration will be to ensure that members of the executive management of Buru are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of Buru.

Full details of executives' and Directors' remuneration will be set out in Buru's next Financial Statements.