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ASX ANNOUNCEMENT (ASX: BRU) 2 September 2008

Blina Back Reef Play Joint Venture – Notice of Force Majeure

Buru Energy Limited (Buru) notes the ASX release made by Oil Basins Limited (OBL) on 1 September 2008 regarding the purported events of force majeure entitling OBL and Backreef Oil Limited (Backreef) to suspend their obligations under the various joint venture and farm-in agreements (Farm-in Agreements) governing the Back Reef Play Joint Venture.

Background

Buru received on 1 September 2008 a notice of force majeure dated 30 August 2008 from both OBL and Backreef issued pursuant to the Farm-in Agreements. Buru understands that a notice in the same terms was received by ARC Energy Limited (ARC) on 1 September 2008.

ARC is a wholly owned subsidiary of Australian Worldwide Exploration Limited (AWE). ARC holds the title to petroleum licenses L6 and EP129 to which the Back Reef Play Joint Venture relates (Licenses) pending registration of the transfer to Buru by the Petroleum Registrar. As part of the demerger of Buru following the merger of AWE and ARC the beneficial interests in the Licenses were transferred to Buru. ARC and Buru are in the process of finalising the transfer of the title to the Licenses to Buru.

In order to effect the transfer of the title to the Licenses from ARC to Buru, ARC and Buru are required to enter into a Deed of Covenant in favour of Backreef and OBL, as noted in OBL's ASX release on 2 September 2008. A standard form of Deed of Covenant (in respect of the transfer of the title to the Licences to ARC) was executed on 4 August 2008 by OBL and Backreef. ARC has proposed to OBL and Backreef an identical form of Deed of Covenant to effect the transfer of title to the Licenses from ARC to Buru. OBL in their communications with ARC and Buru have proposed modifications to the standard terms of the Deed of Covenant which would have the effect of modifying the terms of the Farm-in Agreements. ARC and Buru do not propose agreeing to any modifications of the Farm-in Agreements previously executed by OBL and Backreef.

Notice of Force Majeure

ARC, as title holder to the Licenses, has today written to OBL and Backreef to advise that ARC and Buru dispute the facts alleged to constitute force majeure by OBL and Backreef. It is Buru's view that there has been no event of force majeure. Accordingly, OBL and Backreef's obligations under the Farm-in Agreements have not been suspended.

Default under Farm-in Agreements

OBL and Backreef have, pursuant to the Farm-in Agreements, an obligation to fund the drilling of the Backreef 1 well on or before 31 August 2008 in order to earn their interest in the Licenses. This obligation has not been fulfilled and OBL and Backreef are therefore no longer entitled to earn an interest under the Farm-in Agreements. ARC has advised OBL and Backreef that it will treat this as a default under the Farm-in Agreements. If this default is not remedied within 10 business days in accordance with the terms of the Farm-in Agreements OBL and Backreef will no longer be entitled to earn any interests in the Licenses.

Litigation

Buru reiterates that the legal proceedings initiated by Oil Basins Limited against ARC (in respect of which Buru will indemnify ARC) are entirely without foundation.

This release and further information on the company is available on the Buru website at: www.buruenergy.com

For inquiries please contact:

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Yours faithfully,

A handwritten signature in blue ink, appearing to be "Adrian Cook".

ADRIAN COOK
Managing Director