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ASX ANNOUNCEMENT (ASX: BRU) 17 September 2008

Federal Court Awards Costs Against Oil Basin Limited

Overview

The Federal Court yesterday ordered Oil Basin Limited (OBL) to pay ARC Energy Limited's (ARC) costs associated with OBL's application to adjourn the Scheme of Arrangement to effect the merger of ARC and Australian Worldwide Exploration Limited (AWE) and the demerger of Buru Energy Limited (Buru) from ARC.

In making these orders Justice Gilmour of the Federal Court noted:

"Oil Basin's conduct in bringing such a belated application upon a paucity of fact and without a satisfactory explanation leads me to conclude that its real reasons are for some commercial gain or advantage, by putting a roadblock in front of the progress of the scheme."¹

His Honour made the further observation in respect of the legal proceedings commenced by OBL against ARC in the Supreme Court of Western Australia:

"The long delay in commencing the litigation was unexplained. The claims made in the litigation are deficient of supporting material and obvious legal merit."²

Background

On 1 August 2008 OBL commenced an action against ARC in the Supreme Court of Western Australia alleging a breach by ARC of obligations relating to a Confidentiality and Non-Circumvention Agreement signed by ARC in November 2006 in relation to certain permits in the Canning Basin. This litigation has been the subject of a number of previous ASX releases by OBL, ARC and Buru.

¹ *In the matter of ARC Energy Limited* [2008] FCA 1396 at [10].

² *In the matter of ARC Energy Limited [No 2]* [2008] FCA 1412 at [13].

On 7 August 2008 OBL filed a notice with the Federal Court of Australia that it intended to appear at the Federal Court hearing held on 8 August 2008 which hearing was to approve the Scheme of Arrangement to effect the merger and demerger. OBL advised that it would be seeking the following orders from the Federal Court:

- a) OBL have the right to commence or continue proceedings against Buru in respect of all causes of action which OBL has, or which it may, but for the Scheme of Arrangement, have had against ARC;
- b) Buru be restricted in its defence of any such proceedings to those defences which could have been raised by ARC ignoring the operation of the Scheme of Arrangement;
- c) the Scheme of Arrangement be adjourned until:
 - i. ARC provides a supplementary statement to ARC shareholders setting out the details of the legal proceedings commenced by OBL in the Supreme Court; and
 - ii. ARC convenes a further Scheme meeting to approve the merger of ARC and AWE and the demerger of Buru; and
- d) ARC be required to pay OBL's costs of bringing the application in the Federal Court.

ARC consented to orders a) and b). Notwithstanding these orders, OBL has not yet joined Buru to the legal proceedings in the Supreme Court.

ARC contested the orders requested in c) and d). On 8 August 2008 the Federal Court agreed with ARC that the orders in c) should not be made and accordingly approved the Scheme of Arrangement effecting the merger of ARC and AWE.

Federal Court Awards Costs to ARC

The Federal Court yesterday ordered OBL to pay ARC's costs arising from OBL's request for the orders in c). Furthermore, the Federal Court has denied OBL the costs requested in d). OBL is required to pay all its own costs of bringing the application to the Federal Court. The full text of the Federal Court's reasoning will be available to be downloaded from the Federal Court of Australia's website.

Buru is pleased with the orders made by the Federal Court in respect of costs. ARC and Buru consider the legal proceedings initiated by OBL against ARC are entirely without foundation. If Buru is joined to this action it will vigorously defend this matter.

In accordance with the sale agreement between ARC and Buru relating to the sale of Canning Basin assets and liabilities from ARC to Buru to effect the demerger, Buru has an interest in the claims made by OBL.

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 grey ink, appearing to read "Adrian Cook".

ADRIAN COOK
Managing Director