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Strategic Review and Forward Program

Overview

In Buru's letter to shareholders of 28 November 2008 the Company foreshadowed a review of its strategy in light of the significant adverse changes to global economic conditions that have occurred since the Company commenced trading in September 2008. In particular a decline of around 70% in the oil price from its peak and the decreased availability and increased cost of funding for oil and gas exploration and development have created a challenging environment for all small oil and gas companies.

Notwithstanding the changed environment, Buru is well positioned to grow shareholder value and take advantage of new opportunities presented by the market. Unlike many of its peers, Buru has a strong net cash position of some \$60 million, profitable low cost oil production from existing fields in the Canning Basin, and an extensive exploration portfolio with the flexibility to tailor future exploration activities and commitments to fit the prevailing market conditions.

Buru intends to preserve and strengthen its already strong position by undertaking a reduced and more tightly focussed exploration and development program in the Canning Basin and has already commenced a targeted cost reduction program across all aspects of its activities.

In addition, the current economic environment has seen an increasing number of oil and gas investment opportunities becoming available. The Company has put in place a review mechanism to identify those investment opportunities that can offer Buru shareholders the potential for greater rewards, potentially with lower risk, than its existing Canning Basin exploration portfolio. This includes opportunities outside the Canning Basin.

Buru's Canning Basin portfolio and activity

Buru currently holds or has earn-in rights to approximately 140,000 square kilometres of onshore oil and gas exploration and production permits in the Canning Basin, in the north west of Western Australia. This region is considered highly prospective for oil and gas exploration under appropriate economic conditions, in particular in a sustained high oil price environment. Given the current weakness in the oil price, and the difficulty of raising the additional funding which may be required to develop any large discoveries, Buru intends to modify its Canning Basin operations to focus only on those areas where exploration and development activity that can be supported on a risked economic basis in the current oil price environment. This will result in a reduction in development and production expenditure and fewer exploration wells being drilled.

Development and Production

In 2008 Buru successfully completed well workovers at the Blina / Sundown oil fields resulting in production being increased to over 200 bopd. This provided substantial rewards given the oil price prevailing at the time. An operational review has been undertaken in light of the current oil price environment which has resulted in the decision to manage the fields in a way that reduces production to around 100 bopd and reduces field costs. These actions will be undertaken in a dynamic fashion that will allow the wells to be put back on production quickly as oil prices improve and will facilitate additional workovers being undertaken to further enhance production. These actions will still generate material positive cash flow from the producing fields.

Exploration

The Canning Basin is a frontier exploration region with significant potential for material oil and gas discoveries. The Company remains firm in its view that in the right economic circumstances it can generate significant value from this region and generate substantial rewards for shareholders. Buru is currently reviewing its entire exploration portfolio and, in light of the current economic circumstances, expects to substantially or completely defer its exploration drilling activities in calendar 2009.

During this deferral the Company will seek to identify drilling targets in areas closer to its existing oil fields, or in areas that allow cost effective development utilising the Company's current production infrastructure. As part of this process the Company is evaluating the acquisition of a 3D seismic survey over the Blina / Sundown oil fields trend which, if undertaken, would provide high quality, low risk, drilling targets in close proximity to existing infrastructure.

The Company is also reviewing its forward plan in relation to the Central and Southern parts of the Canning Basin that have high potential prospectivity but are more difficult to access and have historically high exploration drilling and seismic costs, and approval and native title issues.

Deferral of the 2009 exploration drilling program will also allow the Company to reduce drilling expenditure by taking advantage of what is expected to be more readily available and more realistically priced drilling and ancillary equipment in the future.

The Company remains committed to its Canning Basin gas exploration program. Gas exploration has significantly different economic considerations to oil exploration. Most importantly, a major gas discovery and development would be underpinned by the Company's gas sales contract with Alcoa and would provide a long term stable cash flow stream not subject to the current weakness and ongoing uncertainty of the oil price. Identification of appropriate gas prospects will form part of the Company's review process during the deferral of drilling.

Future Strategic Direction

The decreased availability and increased cost of funding for exploration, development and investment activities highlights the importance for Buru to conserve its cash reserves. However, it is also important to ensure that this cash is used in the most effective way to generate returns for shareholders.

The Company is currently seeing a large number of oil and gas investment opportunities becoming available. These opportunities are both being offered to the Company in increasing numbers by third parties and are also being generated by the Company's Directors and advisors. The Company has put in place a review mechanism that will identify those investment opportunities that can offer Buru shareholders the potential for greater rewards, potentially with lower risk, than its existing Canning Basin exploration portfolio. Many of these opportunities are outside the Canning Basin and outside Australia, but initially the Company's focus will remain on opportunities in the Australasian region.

Corporate Strategy

As set out above, the Company is also focused on broader cost reduction initiatives and these include staff reorganisation and a reduction in senior exploration staff and consultant numbers to more appropriately reflect the Company's planned exploration activity levels. Buru's Chairman, Eric Streitberg, has agreed to provide additional exploration technical support to the Company until such time as the market conditions improve and the re-employment of senior staff can be justified.

Comments from the Managing Director:-

Buru's Managing Director, Mr Adrian Cook said that:

"Following a Board level review, Buru has taken a considered approach that is focused on firstly protecting and then generating shareholder value in these difficult and uncertain times. We are not committed to exploring in the Canning Basin "at any cost" or without due regard to the risks involved relative to the expected rewards. We are also prepared to adapt the Company's strategies as circumstances dictate and we're prepared to exploit opportunities that fall within our sphere of expertise and provide greater risk / reward fundamentals for our shareholders."

Further information on the company is available on the Buru website at: www.buruenergy.com

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Yours faithfully,



ADRIAN COOK
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