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ASX ANNOUNCEMENT (ASX: BRU) 26 AUGUST 2008

Buru farmin to EP417 Canning Basin with immediate drilling program

Highlights:

- **Buru to participate in drilling two exploration wells on EP417 with 35% participating interest**
- **Two large targets in separate geological provinces within EP417 to be tested with Lanagan1 and Lawford 1 wells**
- **Lanagan 1 well due to spud Thursday, 28 August 2008**
- **Targets include both oil and gas with potential gas volumes, if hydrocarbons are present, sufficient to act as a cornerstone for the 500 BCF Alcoa gas sales contract**
- **Farm-in agreement strengthens existing relationship with New Standard Energy**

Buru Energy Limited (Buru) is pleased to announce that it has entered into an agreement with New Standard Exploration Limited (NSE) to acquire a 35% participating interest in EP 417 in the Canning basin.

EP 417 lies in the southern Canning Basin, in the Gregory sub-basin of the greater Fitzroy/Gregory Basin.

NSE is preparing to spud Lanagan 1, the first of two wells in the permit, with Lanagan 1 to be followed by the Lawford 1 well. Buru will participate in these wells on a 35% participating interest basis. Under the terms of the agreement, Buru also has the option to acquire an additional 15% participating interest in the permit at the conclusion of the two wells on a leveraged basis. Details of the option arrangements are set out in the attachment.

The Lanagan 1 well is targeting a large structure with the potential to hold a significant oil accumulation if hydrocarbons are present. The Lawford prospect is also a very large structure, with geological similarities to the Valhalla gas and oil discovery and the Paradise prospect in Buru's 100% owned EP 371 in the northern Fitzroy/Gregory Basin. Buru's assessment is that the Lawford structure is likely to be gas prone with potential gas volumes in excess of 500 BCF if hydrocarbons are present. A discovery of this magnitude would be a material step toward commercialising the gas supply agreement with Alcoa. The location of these wells is set out on the attached map.

Buru and NSE are very pleased with this arrangement which strengthens the already close commercial and corporate ties between the companies with Buru already farming in to a suite of other NSE permits and is a 9.7% shareholder in NSE.

Managing Directors comments:

“We are delighted at being able to enter into this agreement immediately prior to listing and to be able to offer our shareholders immediate drilling activity. Depending on well results, weather conditions and drilling progress, we expect to drill the Lanagan 1, Lawford 1, Paradise 1 and possibly the Pictor East 1 in our first drilling season. We are also working with the Stokes Bay joint venture to finalise the arrangements for testing of this well.

Buru offers its shareholders tremendous leverage to a very exciting drilling program from a very strong financial position. Subsequent to the demerger from ARC on Monday 25 August, the Company has some \$84.4 million in cash, of which some \$20 million will be escrowed in support of the Alcoa arrangements, leaving us with over \$64 million in cash to fund our exploration program.

We look forward to an exciting drilling program over the coming months.”

For inquiries please contact:

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|-------------|---------------------------|
| Adrian Cook | Managing Director |
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Yours faithfully,

A handwritten signature in black ink, appearing to be "Adrian Cook", written in a cursive style.

ADRIAN COOK
Managing Director

APPENDIX ONE: MATERIAL TERMS OF THE FARM-IN AGREEMENT

The following is a summary of the material terms of the NSE and Buru Farm-in Agreement:

- (i) Buru will be assigned a 35% participating interest in EP 417 (Buru Interest) in return for committing to fund 35% of the costs of drilling Lanagan 1 and Lawford 1 exploration wells;
- (ii) Buru will pay to NSE the sum of \$75,000 which satisfies the previous expenditure on the Permit in relation to the Buru Interest; and
- (iii) pending approval and registration of the transfer of the Farmin Interest, NSE shall hold the Farmin Interest upon trust for Buru.

Option

NSE grants to Buru an option to earn a further 15% participating interest in EP 417 as follows:

- (i) In the “dry hole” case Buru can increase its equity interest in EP417 from 35% to 50% by funding the cost of the next exploration well at a 60% level; and
- (ii) In the discovery case: Buru can increase its equity interest in EP417 from 35% to 50% by:
 - a. Paying to NSE 100% of the NSE costs of drilling each discovery well to a maximum of \$3.5 million per discovery well; and
 - b. Funding 75% of the next well on EP417; and
 - c. Paying NSE a one-off payment equal to 5% of the value of the first 5 million barrels of oil produced from the field with the payment falling due after 5 million barrels have been produced.

Option Exercise

Buru may exercise the option above at any time up to the earlier of:

- a. 12 months after the completion of the Lanagan and Lawford wells; or
- b. the date the joint venture approves the commencement of a seismic survey or further well; or
- c. the date one of the parties agrees to sole risk a seismic survey or further well on the Permit.

