

ARBOUR ENERGY INC.
Trading Symbol CNQ Exchange – ARBR

PRESS RELEASE

Calgary, Alberta , August 31, 2005 - Arbour Energy Inc. ("Arbour" or the "Company") is pleased to announce the following:

Negotiations have been concluded whereby Arbour will enter into not one, but several substantial oil and gas transactions including offshore shallow gas concessions and a block of existing onshore oil wells. Both acquisitions are located in what is generally referred to as South East Asia. Arbour has first right of refusal to participate in other international bids being made in India, Africa, and the Middle East. Potential reserve estimates are premature to announce at this time. Formal contracting is expected to be concluded by year end with field activities proceeding forward in early 2006.

In light of the forgoing, the Directors of Arbour have agreed to encourage the conversion of series one preferred shares to common shares by reducing the hold period from two years to present.

As a subsequent decision, the Directors of Arbour have further agreed that the next financing will not be a series two preferred share issue as previously announced, but instead, will be 10,000,000 common shares to be issued at a target price of \$2.50 per share. The new issue to raise \$25,000,000 is in continued support of the acquisitions referred to above.

The Directors further authorized the issuance of up to 10,000,000 series three preferred shares at \$4.00 per share convertible to common shares on a one for one basis. This series will have no specified dividend commitment and will be used for future acquisitions beneficial to the company.

For further information, contact Jeff Walker, Investor Relations at

Arbour Energy Inc.
Suite 540, 1212 – 31 Avenue NE
Calgary, Alberta
T2E 7S8
Telephone (403) 250-9866 Fax (403)250-8277
e-mail arbr@safe-mail.net