



**Buru Energy Limited**  
Level 4, 679 Murray Street  
West Perth, Western Australia 6005  
PO Box 667, West Perth, 6872  
Telephone: 61-8 9480 0631  
Facsimile: 61-8 9321 0320

## ASX ANNOUNCEMENT (ASX: BRU) 24 September 2008

### Issue of Bonus Options

Buru Energy Limited (Buru) is pleased to announce that it has today lodged with ASIC a prospectus for the previously announced issue of bonus options to Buru shareholders (Bonus Options). A copy of the prospectus setting out the full terms of the issue of Bonus Options is attached. In summary:

- Buru shareholders will be issued 1 Bonus Option for every 3 Buru shares they hold as at 5.00pm (Perth time) on 3 October 2008 (Record Date).
- The Bonus Options will be issued for free. Buru shareholders on the Record Date do not have to take any action to receive their Bonus Options.
- The Bonus Options will have an exercise price of \$0.94<sup>1</sup> and an expiry date two years from the date of issue. The Bonus Options may be exercised at any time prior to the expiry date.
- Buru has applied to ASX for quotation of the Bonus Options on ASX. If permission for quotation is granted, Buru expects the Bonus Options to be tradeable on ASX from 13 October 2008.

The timetable for the issue of the listed options is set out in the following table.

<b>Record Date to determine entitlements to Bonus Options</b>	<b>3 October 2008 5.00pm Perth time</b>
<b>Prospectus despatched to Buru shareholders</b>	<b>10 October 2008</b>
<b>Allotment of Bonus Options and despatch of holding statements</b>	<b>10 October 2008</b>
<b>Normal trading in Bonus Options commences on ASX</b>	<b>13 October 2008</b>

*These dates are indicative only. Buru reserves the right to vary these dates and times without prior notice, subject to the ASX Listing Rules. The date of despatch of the prospectus, allotment of the Bonus Options, despatch of holding statements and commencement of trading on the ASX depend on whether (and if so, when) permission is received from ASX for the official quotation of the Bonus Options. Please refer to the attached prospectus for further details.*

<sup>1</sup> Subject to adjustment in accordance with the terms of the Bonus Options.

Commenting on the issue of the Bonus Options, Adrian Cook, Buru's Managing Director, said:

*"The issue of the Bonus Options provides Buru shareholders with further leverage to the upside of the Company's exciting exploration program. It also forms part of Buru's focussed planning for success - when we are successful with the drill bit the Bonus Options provide us with a ready made source of new funds as well as rewarding those shareholders who have backed the Company in its early days."*

If you have any questions as to the contents of the prospectus or the issue of the Bonus Options you should consult your stockbroker, accountant, solicitor or other professional adviser.

This release and further information on the company is available on the Buru website at: [www.buruenergy.com](http://www.buruenergy.com)

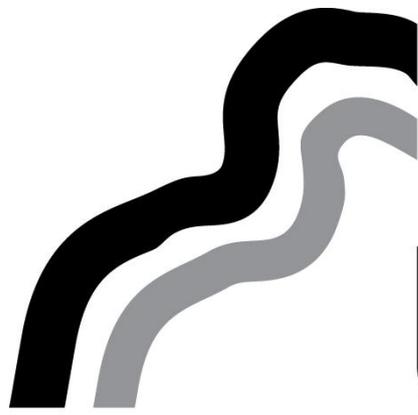
For general inquiries please contact:

Adrian Cook	Managing Director
Telephone	+61 8 9480 0631
Freecall	1800 337 330
Email	adriancook@buruenergy.com

Yours faithfully,

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

**ADRIAN COOK**  
Managing Director



# Buru Energy

ABN 71 130 651 437

## PROSPECTUS

in relation to an issue of Bonus Options to Eligible Holders on the basis of

**1 Bonus Option for every 3 Shares**

held as at the Record Date

**BONUS OPTIONS ARE BEING ISSUED FREE TO ELIGIBLE HOLDERS**

**ELIGIBLE HOLDERS DO NOT NEED TO TAKE ANY ACTION  
TO RECEIVE THEIR BONUS OPTIONS**

**THERE ARE RISKS ASSOCIATED WITH AN INVESTMENT IN BURU  
BONUS OPTIONS ISSUED UNDER THIS PROSPECTUS MUST BE REGARDED AS A SPECULATIVE INVESTMENT**

**MALLESONS STEPHEN JAQUES**

**Legal Advisers to Buru Energy Limited**

***THIS PROSPECTUS CONTAINS IMPORTANT INFORMATION AND REQUIRES YOUR IMMEDIATE ATTENTION.  
IT SHOULD BE READ IN ITS ENTIRETY. IF YOU HAVE ANY QUESTIONS AS TO ITS CONTENTS OR THE COURSE YOU  
SHOULD FOLLOW, PLEASE CONSULT YOUR STOCKBROKER, ACCOUNTANT, SOLICITOR OR OTHER  
PROFESSIONAL ADVISER IMMEDIATELY.***

---

## Key Dates

<b>ASX announcement of the issue of Bonus Options</b>	<b>24 September 2008</b>
<b>Lodgement of this Prospectus with ASIC</b>	<b>24 September 2008</b>
<b>Record Date to determine entitlements to Bonus Options</b>	<b>5.00pm Perth time 3 October 2008</b>
<b>Prospectus despatched to Shareholders by</b>	<b>10 October 2008*</b>
<b>Allotment of Bonus Options and despatch of holding statements</b>	<b>10 October 2008*</b>
<b>Normal trading in Bonus Options commences on ASX</b>	<b>13 October 2008*</b>

*\* These dates depend on whether (and if so, when) permission is received from ASX for the official quotation of the Bonus Options. For further details, see Sections 1.5 and 1.6.*

These dates are indicative only. Buru reserves the right to vary these dates and times without prior notice, subject to the Listing Rules.

---

## Contents

1. Details of the Bonus Issue	3
2. Information Deemed to be Incorporated into this Prospectus	7
3. Information about Buru	9
4. Financial information	15
5. Risk Factors	16
6. Other Material Information	17
7. Directors' Authorisation and Consent	20
8. Glossary	21

---

## Important Notices

This Prospectus is dated 24 September 2008 and was lodged with ASIC, and given to ASX, on that date. None of ASIC, ASX or their respective officers take responsibility for the contents of this Prospectus. No securities will be allotted on the basis of the Prospectus later than 13 months after the date of issue of this Prospectus.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

This Prospectus will not be sent to Shareholders outside Australia, New Zealand, Singapore or Hong Kong nor otherwise distributed outside Australia, New Zealand, Singapore or Hong Kong.

The contents of this Prospectus have not been reviewed by any regulatory authority in Hong Kong. If you are a Shareholder resident in Hong Kong, you are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.

Eligible Holders are responsible for determining their entitlements to Bonus Options before trading in them. If you trade in your Bonus Options before receiving confirmation of your allocation of Bonus Options, you do so at your own risk.

Definitions of certain terms used in this Prospectus appear in the Glossary in Section 8.

# 1. Details of the Bonus Issue

## 1.1 The Bonus Issue

This Prospectus is for the issue of free Bonus Options to Eligible Holders on the basis of **1 Bonus Option for every 3 Shares** held as at the Record Date. Eligible Holders do not need to take any action or pay any money to receive their Bonus Options.

The following tables summarises the key elements of the issue and the Bonus Options:

<b>Entitlement</b>	<b>Non-renounceable entitlement of 1 Bonus Option for every 3 Shares</b>	The entitlement to Bonus Options is non-renounceable. This means that Eligible Holders cannot sell their entitlements to receive Bonus Options.
<b>Issue Price</b>	<b>Nil</b>	Bonus Options are being issued free to Eligible Holders.
<b>Exercise Price</b>	<b>\$0.94</b>	Subject to adjustment in accordance with the terms of the Bonus Options (see Section 1.3).
<b>Record Date</b>	<b>5.00pm Perth time 3 October 2008</b>	The date and time at which entitlements to Bonus Options will be determined.
<b>Allotment Date</b>	<b>10 October 2008</b>	The date on which the Bonus Options are expected to be allotted to Eligible Shareholders. This date is subject to adjustment depending on whether (and if so, when) permission is received from ASX for quotation of the Bonus Options (see Sections 1.5 and 1.6).
<b>Trading Commences</b>	<b>13 October 2008</b>	The date on which the Bonus Options are expected to commence trading. This date is subject to adjustment depending on whether (and if so, when) permission is received from ASX for quotation of the Bonus Options (see Sections 1.5 and 1.6).
<b>Expiry Date</b>	<b>5.00pm Perth time 10 October 2010</b>	The date and time at which the Bonus Options are expected to expire in accordance with the terms of the Bonus Options, subject to allotment occurring on 10 October 2008 (see Section 1.3).
<b>No. of Bonus Options to be Issued</b>	<b>54,039,991</b>	Subject to rounding (see Section 1.4) and the number of Ineligible Shareholders as at the Record Date (see Section 1.7).

## 1.2 Purpose of the Issue

As the Bonus Options will be issued free to Eligible Holders as at the Record Date no funds will be raised by the Bonus Issue. However, if all of the Bonus Options are exercised, Buru will raise approximately \$50.8 million<sup>2</sup>. Bonus Options can be exercised at any time after their issue until the Expiry Date.

It is currently intended that any funds raised by the exercise of the Bonus Options will be used to fund ongoing exploration operations and augment Buru's general working capital.

## 1.3 Terms of the Bonus Options

The full terms of the Bonus Options are as follows:

- (a) No monies will be payable for the issue of the Bonus Options.
- (b) The Bonus Options will be issued as an uncertificated holding.
- (c) The Bonus Options will not carry any voting rights.

<sup>2</sup> Assuming that the exercise price is not adjusted in accordance with the terms of the Bonus Options.

- (d) The Bonus Options will expire at 5.00pm Perth time on the date falling two years from the date of issue (the “**Expiry Date**”).
- (e) Each Bonus Option is a right in favour of the optionholder to subscribe for one Share.
- (f) The optionholder may exercise Bonus Options at any time prior to the Expiry Date.
- (g) Shares allotted to optionholders on exercise of Bonus Options shall be issued at a price of \$0.94 (the “**Exercise Price**”).
- (h) The Exercise Price shall be payable in full on exercise of each Bonus Option.
- (i) Bonus Options shall be exercisable by the delivery to the registered office of Buru of a notice in writing stating the intention of the optionholder to:
  - (i) exercise all or a specified number of Bonus Options held by that optionholder; and
  - (ii) pay the Exercise Price in respect of those Bonus Options in full.
- (j) The notice must be accompanied by a cheque made payable to Buru for the Exercise Price. An exercise of some (but not all) of the Bonus Options held by any particular optionholder shall not affect the rights of the optionholder to the balance of the Bonus Options held by the optionholder.
- (k) Buru shall allot the resultant Shares and deliver the required holding statement within 10 Business Days of the exercise of the Bonus Options.
- (l) The Bonus Options will be freely transferable.
- (m) Shares allotted pursuant to an exercise of Bonus Options shall rank, from the date of allotment, equally with existing Shares in all respects.
- (n) Buru shall, in accordance with the Listing Rules, make an application to have Shares allotted pursuant to an exercise of Bonus Options listed for official quotation.
- (o) No Bonus Option will give any right to participate in dividends, bonus issues or entitlement issues until the Shares, if a Bonus Option has been exercised, have been allotted in respect of that Bonus Option before the record date for determining entitlements to the issue. Buru must give notice to optionholders of any new issue at least 10 Business Days before the record date for determining entitlements to the issue in accordance with the Listing Rules.
- (p) If Buru makes a bonus issue of Shares or other securities pro-rata to Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Shares have been allotted in respect of any particular Bonus Option before the record date for determining entitlements to the bonus issue then the number of Shares over which the Bonus Option is exercisable will be increased by the number of Shares which the optionholder would have received if the Bonus Option had been exercised before the record date for the bonus issue.
- (q) If Buru makes an offer of Shares pro-rata to all or substantially all Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) for a subscription price which is less than the market price (defined below as “P”) and no Shares have been allotted in respect of any particular Bonus Option before the record date for determining entitlements to the rights issue, then the exercise price for that Bonus Option will be reduced according to the following formula:

$$O' = O - \frac{E(P - (S + D))}{N + 1},$$

where:

**O'** is the new exercise price of the Bonus Option;

**O** is the old exercise price of the Bonus Option;

**E** is the number of underlying securities into which one Bonus Option is exercisable;

**P** is the average market price of Shares (weighted by reference to volume) sold in the ordinary course of trading on ASX during the five trading days before the ex rights date or ex entitlements date;

**S** is the subscription price (application money plus calls) for new Shares issued under the rights issue;

**D** is equal to the amount of any dividends due but not yet paid on existing Shares (except those to be issued under the rights issue); and

**N** is the number of Shares required to be held to receive a right to one new Share. The number of Shares which the optionholder is entitled to subscribe for on exercise of the Bonus Option will not change.

- (r) In the event of any reorganisation of the capital of Buru, the rights of an optionholder will be changed to the extent necessary to comply with the Listing Rules applying to such reorganisation at the time of the reorganisation.
- (s) If, on the making of any adjustment contemplated by these terms, an optionholder becomes entitled to a fraction of a Share, that fraction will be disregarded.

#### **1.4 Fractional entitlements**

Subject to the next paragraph, fractional entitlements to Bonus Options will be rounded to the nearest whole number.

If Buru reasonably believes that an Eligible Holder has, on or before the Record Date, dealt with their Shares (including splitting or dividing a holding) since 24 September 2008 (being the date the Record Date was announced on ASX) in an attempt to obtain an advantage by reference to the rounding mechanism set out above, then any resulting fractional entitlements will be aggregated and that aggregate entitlement will be rounded as set out above.

#### **1.5 ASX quotation of Bonus Options**

Buru has applied to ASX for official quotation of the Bonus Options issued pursuant to this Prospectus. Buru anticipates that the Bonus Options will be listed for official quotation by ASX from 13 October 2008. Quotation will not be automatic but will depend on ASX exercising its discretion. Buru cannot guarantee, and does not represent or imply, that the Bonus Options to be issued under this Prospectus will be quoted. The fact that ASX may admit the Bonus Options to quotation is not to be taken in any way as an indication of the merits of Buru or the Bonus Options.

As no application for Bonus Options is made under this Prospectus, and the Bonus Options are to be issued for free, the Bonus Options will be issued to Eligible Shareholders irrespective of whether the ASX grants permission. In the event that the ASX does not so grant permission, the Bonus Options will not be tradeable on the ASX.

#### **1.6 Allotment**

Allotment of the Bonus Options is expected to be made on 10 October 2008, and in any event will be made as soon as practicable after ASX grants permission for the official quotation of the Bonus Options as referred to in Section 1.5 of this Prospectus. This is expected to be on 10 October 2008 with trading commencing on ASX on 13 October 2008. Holding statements will be despatched on or about the same date as the Bonus Options are allotted.

If ASX refuses to grant permission for the official quotation of the Bonus Options, or has not granted such permission within three months after the date of this Prospectus, the Bonus Options will be allotted as soon as practicable after such refusal or (as the case may be) the date that is three months after the date of this Prospectus, currently expected to be on or about 29 December 2008.

## 1.7 Overseas Shareholders

Bonus Options will not be issued to Shareholders with registered addresses outside Australia, New Zealand, Singapore or Hong Kong (“**Ineligible Shareholders**”). No Ineligible Shareholders will be issued Bonus Options under this Prospectus.

Buru has determined, in accordance with the Listing Rules, that it would be unreasonable to extend the Bonus Issue to Ineligible Shareholders having regard to:

- (a) the small number of Ineligible Shareholders;
- (b) the number and value of the Bonus Options that would otherwise be issued to Ineligible Shareholders; and
- (c) the cost of complying with the legal requirements and requirements of a regulatory authority in the respective overseas jurisdictions.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

## 2. Information Deemed to be Incorporated into this Prospectus

### 2.1 Short form prospectus

This Prospectus is a short form prospectus issued pursuant to section 712 of the Corporations Act. This means that this Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type. Rather, the Prospectus incorporates by reference information contained in a document that has been previously lodged with ASIC.

This Prospectus refers to the Scheme Booklet lodged with ASIC on 1 July 2008. The information from the Scheme Booklet to be incorporated by reference into this Prospectus is summarised below in Section 2.2.

In referring to the Scheme Booklet, Buru:

- (a) identifies the Scheme Booklet as being relevant to the Bonus Issue and containing information which will provide investors and their professional advisers and analysts information to assist them in making an informed assessment of:
  - (i) the rights and liabilities attaching to:
    - (A) the Bonus Options; and
    - (B) the Shares;
  - (ii) the capacity of Buru to issue the Shares upon exercise of the Bonus Options;
  - (iii) the risks involved in investing in Shares; and
  - (iv) the assets and liabilities, financial position and performance, profits and losses and prospects of Buru;
- (b) refers investors and their professional advisers and analysts to Section 2.2 of this Prospectus, which summarises the information in the Scheme Booklet deemed to be included in this Prospectus;
- (c) informs investors and their professional advisers and analysts that they are able to obtain, free of charge, a copy of the Scheme Booklet by contacting Buru at its registered office during normal business hours; and
- (d) advises that the Scheme Booklet will primarily be of interest to investors and their professional advisers and analysts.

### 2.2 Summary of information deemed to be incorporated

Set out below is a summary of the information contained in the Scheme Booklet that is deemed to be incorporated in this Prospectus to assist investors and their professional advisers to determine whether, for the purposes of making an informed investment decision in relation to the Bonus Options, they should obtain a copy of the Scheme Booklet.

References to sections below are references to sections in the Scheme Booklet.

(a) **Pages 12 and 13 - Overview summary of Buru**

Pages 12 and 13 of the Scheme Booklet contain a high-level overview of Buru's assets and funding.

(b) **Sections 5.1, 5.2 and 5.4 - Risk factors in connection with an investment in Buru**

Sections 5.1, 5.2 and 5.4 of the Scheme Booklet are incorporated insofar as they relate to Buru. Those sections set out summary information in relation to risks which may affect the performance of Buru and the value of Shares and Bonus Options.

(c) **Section 9 (except for Sections 9.11, 9.14 and 9.18) - Information about Buru**

Section 9 of the Scheme Booklet contains information in relation to Buru's background and business overview, its proposed activities, its corporate and management structure; its exploration programme and objectives; information relating to the Canning Basin (where Buru's petroleum tenements are located) and exploration in, and the geology of, that area; information in relation to the exploration program undertaken in respect of Buru's petroleum tenements; information in relation to Buru's tenements in the Canning Basin; information in relation to certain arrangements between Buru and Alcoa of Australia Limited; information in relation to the Directors, Buru's managing director and key personnel; pro-forma financial information for Buru; a summary of material changes in Buru's financial position between 31 December 2007 and 1 July 2008; the terms of the Bonus Options; a summary of the terms of Buru's constitution and of the rights attaching to Shares and to D&E Options; information as to Buru's corporate governance regime; a summary of certain material contracts of Buru; and information in relation to the quotation of Shares and to participation in CHESS.

(d) **Sections 11.9, 11.10 and 11.14 - Additional information**

Section 11.9 of the Scheme Booklet contains disclosures in relation to the interests of the Directors, persons performing services in connection with the preparation of the Scheme Booklet and promoters of Buru in Buru. Section 11.10 contains disclosures in relation to fees and benefits received by those persons. Section 11.14 contains details of certain material contracts to which Buru is a party.

(e) **Section 18 - Glossary**

Section 18 of the Scheme Booklet contains a glossary of definitions used in the Scheme Booklet. It is incorporated insofar as it contains definitions of terms used in the sections of the Scheme Booklet referred to above.

## 3. Information about Buru

### 3.1 Information on Buru

As noted above, information regarding Buru, its assets and liabilities, its financial position and performance, its profits and losses and its prospects is set out in Section 9 of the Scheme Booklet.

In addition, Buru has released various announcements to ASX which can be found on the ASX website ([www.asx.com.au](http://www.asx.com.au), company code: BRU) or on Buru's website ([www.buruenergy.com](http://www.buruenergy.com)). The following table lists those announcements:

<b>Date</b>	<b>Announcement</b>
19/09/2008	Ceasing to be a substantial holder
18/09/2008	OBL: Commences further legal action against ARC Energy Ltd
17/09/2008	NSE: Lanagan 1 Well Drilling Update
17/09/2008	Lanagan 1 Well Drilling Update 17 September 2008
17/09/2008	Federal Court Awards Costs Against Oil Basins Ltd
15/09/2008	Buru ASX - Lanagan 1 Drilling update 15 September 2008
15/09/2008	NSE: Lanagan 1 Well Drilling Update
11/09/2008	Lanagan 1 Well Drilling Update
11/09/2008	NSE: Lanagan 1 Well Drilling Update
09/09/2008	Becoming a substantial holder
08/09/2008	Lanagan 1 Well Drilling Update
08/09/2008	NSE: Lanagan 1 Well Drilling Update
04/09/2008	Lanagan 1 Well Drilling Update
04/09/2008	NSE: Lanagan 1 Well Drilling Update
04/09/2008	Company Presentation Good Oil Conference
03/09/2008	FAR: Stokes Bay-1 Well Testing
03/09/2008	EMR: Stokes Bay Update
03/09/2008	EGO: Replacement of Previous Ann. re Stokes Bay 1 Well
03/09/2008	EGO: Testing the Stokes Bay-1 Well, R1, Canning Basin, WA
03/09/2008	Stokes Bay 1 well test
02/09/2008	Blina Back Reef Play JV Notice of Force Majeure
02/09/2008	OBL: Buru Energy Release
01/09/2008	Blina Back Reef Notice of Force Majeure
01/09/2008	Lanagan 1 Exploration Well Spuds
01/09/2008	Buru Corporate Presentation 1 September 2008
01/09/2008	Buru Listing complete and operations update
01/09/2008	NSE: Lanagan 1 Well Successfully Spudded
29/08/2008	Constitution - Buru Energy Ltd
29/08/2008	Completion of Sale
28/08/2008	Corporate Governance Statement
28/08/2008	Appendix 1A: ASX Listing application and agreement
28/08/2008	Top 20 shareholders
28/08/2008	Distribution Schedule
28/08/2008	Pre-Quotation Disclosure

<b>Date</b>	<b>Announcement</b>
28/08/2008	ASX Circular: Commencement of Official Quotation
28/08/2008	Admission to Official List
28/08/2008	Becoming a substantial holder from AWE
27/08/2008	Buru farms into EP417 Canning Basin
21/08/2008	Notice of initial substantial holder for NSE
11/08/2008	OBL: Supreme Court action extended to Buru Energy Limited

### 3.2 Matters subsequent to Scheme Booklet

The Shares were initially quoted on ASX on 1 September 2008.

Other than as otherwise stated in this Prospectus or as stated in the information from the Scheme Booklet which is incorporated into this Prospectus, the only material matters or circumstances which Buru is aware of that would impact on the activities, operations, assets and liabilities, financial position and performance, profits and losses and prospects of Buru, and which would be relevant to assist investors or their professional advisers in making an informed assessment of these matters, are as follows:

#### (a) Oil Basins Limited claim

On 1 August 2008 Oil Basins Limited (“**OBL**”) commenced an action against ARC in the Supreme Court of Western Australia concerning an alleged 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. ARC has denied the claims made by OBL and has stated that it intends to defend itself in this action.

OBL is seeking a variety of remedies against ARC, including:

- (i) transfer of the shares in Terratek Drilling Tools Pty Ltd (“**Terratek**”) and all of ARC’s interests in the petroleum licenses, leases and permits L6, L8, PL7, EP129 and 7/05-6 EP together with all associated plant, equipment and infrastructure to OBL and the payment by ARC of all fees, charges, duties and taxes; or
- (ii) alternatively, damages; or
- (iii) an inquiry as to damages for breach of confidence; and/or
- (iv) an account of profits to OBL for all profits made by ARC as a consequence of using the confidential information as alleged by OBL;
- (v) an order for the appointment of a receiver to collect and receive all profits allegedly made by ARC from the use of confidential information alleged to have been disclosed by OBL under the Confidentiality and Non-Circumvention Agreement;
- (vi) interest; and
- (vii) costs.

If OBL is successful in seeking the remedies sought in (i) above those petroleum licenses, leases and permits and associated plant, equipment and infrastructure would not be transferred to Buru as described in Section 9.6 of the Scheme Booklet. These petroleum licenses, leases and permits cover approximately 2.6% of Buru’s more than 140,000 square kilometres of tenements and rights throughout the Canning Basin.

Alternatively, if OBL is successful in seeking any of the remedies sought in any of (ii) – (vii) above Buru would be required to indemnify ARC against those remedies pursuant to the Sale Agreement described in Section 11.14.2 of the Scheme Booklet. As at the date of this Prospectus the damages and other remedies being sought in (ii) – (vii) above have not been quantified by OBL. It is not expected that the matter will proceed to trial before 2009.

On 8 August 2008 the Federal Court made orders, at the request of OBL, that OBL, among other things, be entitled to join Buru as a party to the Supreme Court action described above. As at the date of this Prospectus OBL has not joined Buru to the Supreme Court action.

(b) **Event of default over Blina Backreef Joint Venture Play**

Backreef Oil Limited ("**Backreef**") had previously been granted the right to earn up to a 70% interest in the Blina Backreef Joint Venture Play, being a portion of permits L6 and EP129, from ARC by either completing a drilling program or funding a drilling program to a minimum of \$1.5 million on or before 31 August 2008. OBL had a right to earn a 50% interest in the Blina Backreef Joint Venture Play from Backreef by fulfilling Backreef's obligations.

On or about 1 September 2008 ARC received notices of force majeure from Backreef, OBL and a number of subsidiaries of OBL alleging a variety of events of force majeure resulting in the purported suspension of Backreef's and OBL's obligations to complete or fund a drilling program on or before 31 August 2008. ARC subsequently advised Backreef that it did not consider that force majeure had arisen and that accordingly there had been an event of default and gave Backreef a 10 business day period to cure the default, failing which ARC would terminate the agreement dated 12 October 2006 between Terratek and Backreef ("**Backreef Agreement**"). ARC also notified OBL of its intention to terminate the Backreef Agreement and that as a result OBL would be unable to earn an interest in the Blina Backreef Joint Venture Play.

On 16 September 2008 OBL commenced an action in the Supreme Court of Western Australia seeking an injunction to prevent ARC terminating the following agreements:

- (i) the agreement dated 30 May 2006 between Golden Dynasty Resources Limited ("**Golden Dynasty**"), Backreef and OBL;
- (ii) the Backreef Agreement; and
- (iii) the deed of variation and consent to assignment dated 4 January 2007 between Golden Dynasty, Terratek, Backreef and OBL,

(together referred to as the "**Farm-in Agreement**").

ARC has provided OBL with an interim undertaking that it will not seek to terminate the Farm-in Agreement until the earlier of the injunction being heard or 6 October 2008. The injunction is currently scheduled to be heard on 6 October 2008. ARC intends to contest the injunction and defend the action. If OBL is successful in this action Buru would be required to indemnify ARC against any costs or other remedies successfully claimed by OBL pursuant to the Sale Agreement described in Section 11.14.2 of the Scheme Booklet. As at the date of this Prospectus these costs cannot be quantified and no other remedies have been specified by OBL.

(c) **Blina oil field workovers**

Buru has commenced a program of well workovers at the Blina oil field. These workovers have resulted in production at the Blina oil field increasing from approximately 30 bopd to between 150 and 230 bopd as at the date of this Prospectus. Further workovers are planned with the aim of maintaining daily production at these higher levels and, if possible, further increasing production.

(d) **Farm-in to EP 417**

On 26 August 2008 Buru announced that it had entered into an agreement with New Standard Energy Limited ("**NSE**") to farm-in to EP417 in the southern Canning Basin, in the Gregory sub-basin of the greater Fitzroy/Gregory Basin. Buru will earn a 35% interest in EP417 from NSE by funding 35% of the costs of drilling the Lanagan 1 and Lawford 1 exploration wells on EP417 and by paying previously incurred expenses of \$75,000 in respect of EP417. Buru also has the option to earn an additional 15% interest in EP417 (taking its total interest in EP417 to 50%) by funding further drilling in EP417, with the level of funding required to earn the additional interest dependent on whether either Lanagan 1 or Lawford 1 are a discovery.

(e) **Drilling of Lanagan 1 well**

The Lanagan 1 well was spudded on 29 August 2008 and reached its target depth on 17 September 2008. However, the well did not encounter commercial hydrocarbons. The well was plugged and abandoned on 21 September 2008.

(f) **Testing of Stokes Bay 1 well**

The joint venture parties to the R1 permit containing the Stokes Bay 1 well agreed in September 2008 to a testing program for the well. The testing program is designed to evaluate the reservoir fluid and character and flow capacity of the cavernous reef system in the Nullara Formation encountered by the Stokes Bay 1 well. The testing program is expected to commence in October 2008.

(g) **Updated drilling program**

Buru has reviewed with its relevant joint venture partners the exploration program for the period to December 2008 and agreed the program described below. This information updates the Year 1 program set out in Section 9.2.5 of the Scheme Booklet.

- (i) **Seismic** – the seismic scheduled for the Year 1 program will now take place in May 2009 and be combined with the seismic currently scheduled for the Year 2 program. This allows for the completion of all necessary cultural, heritage and environmental clearances and provides access to the more suitable survey equipment which is anticipated to be available in May 2009.
- (ii) **Testing** - As noted in Section 3.2(f) of this Prospectus, the Stokes Bay 1 well will be tested in October 2008. The testing of the Yulleroo 2 and Valhalla 1 wells will not be undertaken in Year 1 pending further technical evaluation.
- (iii) **Drilling** - The agreed exploration well program for the period to December 2008 now consists of the Lanagan 1 (now completed, as described in Section 3.2(e) above), Lawford 1 (as described in Section 3.2(d) above) and Paradise 1 wells, to be drilled in that order. The Pictor East 1 well has been deferred to May 2009 due to the anticipated onset of the wet season. The Reef Front 1 well is the subject of ongoing technical evaluation before a commitment to drill will be made.
- (iv) **Costs** – Total costs for the Year 1 program described above are expected to be approximately \$9.0 million, a reduction from the \$13.5 million included in Section 9.2.5 of the Scheme Booklet.

(h) **Tenements**

The following information, which has been compiled on the basis of dealings disclosed by searches of the online Petroleum and Geothermal Register (which can be accessed at [www.doir.wa.gov.au](http://www.doir.wa.gov.au)) carried out on 23 September 2008, updates the disclosure in Section 9.6 of the Scheme Booklet:

- (i) a transfer of a 1.15% interest in EP104 from ARC to Indigo Oil Pty Ltd has been registered, reducing ARC's interest to 11.45% and increasing Indigo Oil Pty Ltd's interest to 18.55%;
- (ii) transfers of Manaroo Oil Company Limited's interests in EP438 and EP448 to Cosmetica Research Pty Ltd, Seaville Investments Pty Ltd and Venus Bay Pty Ltd have been registered. Manaroo Oil Company Limited is no longer listed as a holder of these permits. The interests of the other parties cannot be verified from the register;
- (iii) ARC and NSE are now shown on the register as holders of interests in tenements EP442, EP443, EP450, EP451 and EP456; and

- (iv) applications to transfer title to Buru of ARC's interests in the tenements set out in Section 9.6 of the Scheme Booklet (other than EP104, EP438, EP448 and R1) have been lodged with the petroleum registry. The petroleum registry has been requested not to process the transfers relating to L6 and EP129 pending resolution of the actions referred to in Section 3.2(a) and (b). R1 is pending renewal.

### 3.3 Market prices of Shares

The lowest and highest market sale prices of Shares since commencement of trading on ASX on 1 September 2008 and up to 23 September 2008 (being the last trading prior to the date of this Prospectus) were:

- (a) \$0.255 on 1 September 2008; and
- (b) \$0.395 on 4 September 2008.

The last sale price for Shares on the ASX on 23 September 2008 (being the last trading prior to the date of this Prospectus) was \$0.315.

### 3.4 Capital structure of Buru

The capital structure of Buru as at the date of this Prospectus is set out below:

Type of security	Number
Shares	162,119,728
D&E Options	33,900,000

The D&E Options on issue were issued on 27 August 2008 to the Directors and to certain key management and consultants of Buru. The terms of the D&E Options are the same as the terms of the Bonus Options, as set out in Section 1.3, save that:

- (a) no application has been, or will be, made to ASX for official quotation of the D&E Options;
- (b) the D&E Options are not transferable;
- (c) the D&E Options expire at 5.00pm (Perth time) on the earlier of:
  - (i) 1 September 2010; and
  - (ii) one month following the resignation of the optionholder from the Board or (as the case may be) the cessation of employment or consultancy by the optionholder; and
- (d) the D&E Options which have been issued will vest as follows:
  - (i) one third on 1 March 2009;
  - (ii) one third on 1 September 2009; and
  - (iii) one third on 1 March 2010.

The D&E Options are not quoted on ASX. The D&E Options do not give any rights to participate in the Bonus Issue. Since none of the D&E Options will have vested as at the Record Date, and are consequently not exercisable before that date, any Shares issued upon exercise of the D&E Options will not give rise to any entitlement to receive Bonus Options.

The pro-forma capital structure of Buru on completion of the issue of Bonus Options under the Prospectus is expected to be:

Type of security	Number
Shares	162,119,728
D&E Options	33,900,000
Bonus Options*	54,039,991

\* Subject to rounding (see Section 1.4) and the number of Ineligible Shareholders as at the Record Date (see Section 1.7).

### 3.5 Effect of the Bonus Issue

The principal effects of the issue of Bonus Options under the Prospectus are:

- (a) the total number of options on issue will increase from 33,900,000 to approximately 87,939,991 (comprising 33,900,000 D&E Options and approximately 54,039,991 Bonus Options);
- (b) the issue of Bonus Options will raise no immediate funds as the Bonus Options will be issued to Eligible Holders free of charge; and
- (c) if all of the Bonus Options issued under this Prospectus are exercised, the number of Shares on issue will increase by approximately 54,039,991, and Buru will raise approximately \$50.8 million<sup>3</sup>. The likelihood of Buru raising this additional capital through the exercise of the Bonus Options is dependent (amongst other things) on the market price of Shares from time to time until the Expiry Date.

### 3.6 Rights and liabilities attaching to Shares

If you exercise your Bonus Options you will be issued with Shares.

Please refer to Sections 9.16 and 9.17 of the Scheme Booklet for a summary of the principal rights attaching to Shares.

<sup>3</sup> Assuming that the exercise price is not adjusted in accordance with the terms of the Bonus Options.

## 4. Financial information

Please refer to Section 9.12 of the Scheme Booklet for a pro-forma historical balance sheet of Buru as at 31 December 2007, and to Section 9.13 of the Scheme Booklet for a summary of material changes to Buru's financial position between that date and 1 July 2008 (being the date of the Scheme Booklet).

Since 1 July 2008, there have been the following material changes to Buru's financial position:

(a) **Cash position**

Pursuant to the adjustment mechanisms incorporated in the Loan Agreement described in Section 11.14.3 of the Scheme Booklet, Buru's cash balance on the implementation date of the scheme of arrangement giving effect to the demerger of Buru from ARC (being 25 August 2008) was approximately \$85.0 million. As at 23 September 2008 Buru's cash balance was approximately \$83.0 million. This is a material increase over the cash and cash equivalents of \$75.0 million included in Section 9.12 of the Scheme Booklet.

(b) **Treatment of Lanagan 1 drilling expenditure**

As noted in Section 3.2 Buru participated in the drilling of the Lanagan 1 well in early September 2008. The well has been plugged and abandoned. Buru's total expenditure in respect of that well is estimated to be \$1.3 million. Some or all of this expenditure will be expensed by Buru, with any expenditure not expensed recorded as an asset.

(c) **Treatment of Stokes Bay 1 drilling and testing expenditure**

As noted in Section 3.2(f) of this Prospectus, it is expected that the Stokes Bay 1 well will be tested in October 2008. Buru currently records expenditure incurred by ARC during the drilling of this well as an asset. Depending on the outcome of the testing program Buru may expense some or all of this expenditure in addition to some or all of the expenditure associated with the testing of the well.

## **5. Risk Factors**

### **5.1 General**

This Section 5 and information incorporated by reference within it identify certain risk factors associated with an investment in Buru. Please refer to Sections 5.1, 5.2 and 5.4 of the Scheme Booklet for information in relation to certain risks which may affect the performance of Buru and the value of Shares and Bonus Options. This list is not exhaustive. Holders of Bonus Options should consider these risks carefully and the whole of this Prospectus in order to fully appreciate these and any other risks associated with becoming a holder of Bonus Options or Shares.

### **5.2 Risks associated with holding Bonus Options and Shares**

The Bonus Options to be issued pursuant to this Prospectus do not carry any guarantee with respect to market value. Further, any Shares issued upon the exercise of the Bonus Options do not carry any guarantee with respect to payment of dividends, return of capital or market value. The financial position, financial performance and operations of Buru's business, the market price of Shares and Bonus Options, the amount and timing of any dividends (if any) that Buru pays will be influenced by a range of factors. Some of these factors can be mitigated by the use of safeguards and appropriate commercial action. However, many of these are beyond the control of Buru and the Directors.

## 6. Other Material Information

### 6.1 Directors' interests

Other than as disclosed in this Prospectus:

- (a) no Director has, or at any time within two years prior to the date of this Prospectus has held, an interest in:
  - (i) the formation or promotion of Buru;
  - (ii) any property acquired or proposed to be acquired by Buru in connection with:
    - (A) its formation and promotion; or
    - (B) the Bonus Issue; or
  - (iii) the Bonus Issue; and
- (b) no amounts, whether in cash, shares or otherwise, have been paid or agreed to be paid to any Director either to induce that person to become, or to qualify as, a Director or otherwise for services rendered in connection with:
  - (i) the formation or promotion of Buru; or
  - (ii) the Bonus Issue.

#### ***Interests in Shares and options***

The Directors' interests in Shares and D&E Options are detailed in the table below:

<b>Director</b>	<b>Shares</b>	<b>D&amp;E Options</b>
Eric Streitberg	3,707,636 <sup>(1)</sup>	9,000,000
Adrian Cook	62,764	9,000,000
Graham Riley	1,055,246 <sup>(2)</sup>	3,000,000

Notes

- (1) 8,500 Shares held directly, 1,276,635 Shares held by Eric Streitberg's spouse, 2,204,334 Shares held by Aegis Exploration Pty Ltd (with which Eric Streitberg is associated) and 218,167 Shares in which Eric Streitberg has an interest through the Streitex Pty Ltd Superannuation Fund.
- (2) 927,746 Shares held by Riley Superfund (of which Graham Riley is a trustee and beneficiary) and to 127,500 Shares held by Equity Holdings Pty Ltd (of which Graham Riley is a director and shareholder).

The terms of the D&E Options in which the Directors have interests are set out in Section 3.4.

#### ***Remuneration***

The non-executive Directors are entitled to be paid fees for their services as a Director as the Directors decide, but the total amount provided to all Directors for such services must not exceed in aggregate, in any financial year, the maximum aggregate sum as may be approved from time to time by Buru in general meeting. The current maximum aggregate sum is \$200,000. Any change to that aggregate sum needs to be approved by Shareholders. There are no retirement benefits payable to non-executive Directors upon their retirement. Buru's constitution also makes provision for Buru to pay all reasonable expenses of Directors in attending meetings and carrying out their duties.

As at the date of this Prospectus no non-executive Director has received any fees from Buru for their services as Directors. As at the date of this Prospectus Adrian Cook has received a total of \$32,083 from Buru by way of salary paid under the terms of his employment as Managing Director, as outlined in Section 9.20.4 of the Scheme Booklet.

### ***Directors' deeds of access, indemnity and insurance***

Each Director has entered into a Deed of Access, Indemnity and Insurance with Buru. This entitles each Director to access board papers, be indemnified from liability, and to have Buru take out directors and officers insurance to the extent Buru is able to obtain it. Each Director may obtain independent professional advice at Buru's expense in accordance with the guidelines adopted by the Board from time to time or if the chairman has given his prior approval. Each such deed applies to the extent permitted by law.

### **6.2 Material Contracts**

Buru has not entered into any ongoing material contracts prior to the date of this Prospectus, other than those previously disclosed in those parts of the Scheme Booklet described in Section 2.2 or otherwise described in this Prospectus.

### **6.3 Taxation**

The potential tax effects relating to the Bonus Issue on the Shareholders will vary between Shareholders. You should satisfy yourself of possible tax consequences by consulting your own professional tax advisers.

### **6.4 Litigation**

Save as set out in this Prospectus, Buru is not engaged in any litigation which has or would be likely to have a material adverse effect on either Buru or its business.

### **6.5 Other Information**

There is no information relating to the Bonus Issue that, because of its confidential or prejudicial nature, has not been notified to the ASX, which investors and their professional advisers would reasonably require and reasonably expect to make an informed assessment of the effect of the assets and liabilities, financial position and performance, profits and losses and prospects of Buru, the rights and liabilities attaching to the Bonus Options and the Shares and the capacity of Buru to issue Shares upon exercise of the Bonus Options.

### **6.6 ASIC Class Order relief**

Buru has taken advantage of ASIC Class Order 00/1092 which exempts it from the requirements that:

- (a) this Prospectus include or be accompanied by an application form; and
- (b) Buru may only issue Bonus Options pursuant to this Prospectus to a person who has submitted an application form distributed with this Prospectus.

Accordingly, as the Bonus Options to be issued under this Prospectus will be issued free of charge to Eligible Holders as at the Record Date, it is not necessary for any persons to make formal application for the Bonus Options.

As a result of ASIC Class Order 00/843, this Prospectus is not subject to the minimum seven day disclosure period ordinarily required under the Corporations Act.

### **6.7 Costs of the Issue**

Buru estimates the costs of the Bonus Issue (including ASX listing fees) to be approximately \$120,000 (inclusive of GST).

## 6.8 Interests and benefits of advisers

Other than as disclosed in this Prospectus:

- (a) no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus has, or during the last two years has had, an interest in:
  - (i) the formation or promotion of Buru;
  - (ii) any property acquired or proposed to be acquired by Buru in connection with:
    - (A) its formation and promotion; or
    - (B) the Bonus Issue; or
  - (iii) the Bonus Issue; and
- (b) no amounts, whether in cash, shares or otherwise, have been paid or agreed to be paid to any Director either to induce that person to become, or to qualify as, a Director or otherwise for services rendered in connection with:
  - (i) the formation or promotion of Buru; or
  - (ii) the Bonus Issue.

Mallesons Stephen Jaques are acting as legal advisers to Buru in relation to the Bonus Issue. Buru has paid or agreed to pay approximately \$35,000 (excluding GST) for these services to the date of this Prospectus. Mallesons Stephen Jaques has been paid or is entitled to be paid other fees amounting to approximately \$60,000 (excluding GST) (approximately \$40,000 of which has been paid, or is payable, by ARC and approximately \$20,000 of which has been paid, or is payable, by Buru) for advising on other matters in connection with the formation or promotion of Buru.

## 6.9 Consents

Mallesons Stephen Jaques have given and have not withdrawn their consent to the issue of this Prospectus with references to them being named in this Prospectus as the legal advisers to Buru in the form and context which they are so named. Mallesons Stephen Jaques do not make or purport to make any statement in this Prospectus, are not responsible for any part of this Prospectus and have not authorised or caused the issue of any part of this Prospectus.

Link Market Services Limited has given and has not withdrawn its consent to the issue of this Prospectus with references to it being named in this Prospectus as Buru's share registry in the form and context in which it is so named. Link Market Services Limited has had no involvement in the preparation of any part of this Prospectus, does not make or purport to make any statement in this Prospectus, is not responsible for any part of this Prospectus, and has not authorised or caused the issue of any part of this Prospectus.

## 7. Directors' Authorisation and Consent

This Prospectus is issued by Buru and its issue has been authorised by a resolution of the Directors.

Each of the Directors has given, and has not withdrawn, his consent to the lodgement of this Prospectus with ASIC.



**Eric Streitberg**  
Chairman

## 8. Glossary

Words and phrases used in this Prospectus have the following meanings unless the context requires otherwise:

**ARC** means ARC Energy Limited (ABN 74 009 204 031), a wholly owned subsidiary of Australian Worldwide Exploration Limited (ABN 70 077 897 440).

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

**Backreef** means Backreef Oil Limited (ABN 72 116 221 286).

**bopd** means barrels of oil per day.

**Bonus Issue** means the issue of Bonus Options to Eligible Holders under this Prospectus.

**Bonus Option** means an option to subscribe for a Share with an exercise price of 94 cents (subject to adjustment in accordance with the terms of the options) to be granted pursuant to this Prospectus.

**Buru** means Buru Energy Limited (ABN 71 130 651 437).

**Business Day** means a day other than a Saturday, Sunday or public holiday in Perth, Western Australia and Sydney, New South Wales.

**Corporations Act** means the Corporations Act 2001 (Cwlth).

**D&E Options** means the existing 33,900,000 options to subscribe for Shares, which were issued to the Directors and to certain key management and consultants of Buru on 27 August 2008.

**Directors** or **Board** means the directors of Buru.

**Eligible Holder** means a Shareholder on the Record Date whose registered address is within Australia, New Zealand, Singapore or Hong Kong.

**Exercise Price** has the meaning given in Section 1.3(g).

**Expiry Date** means 5.00pm (Perth time) on the date falling two years from the date of issue of the Bonus Options.

**Ineligible Shareholder** has the meaning given in Section 1.7.

**Listing Rules** means the official listing rules of ASX.

**NSE** means New Standard Energy Limited (ABN 20 119 323 385).

**OBL** means Oil Basins Limited (ABN 56 006 024 764).

**Prospectus** means this prospectus as modified or varied by any supplementary prospectus issued by Buru and lodged with ASIC from time to time.

**Record Date** means 5.00pm (Perth time) on 3 October 2008.

**Scheme Booklet** means the explanatory booklet in relation to a scheme of arrangement of ARC, pursuant to which Buru was demerged from ARC, lodged with ASIC on 1 July 2008.

**Share** means a fully paid ordinary share in the capital of Buru.

**Shareholder** means a registered holder of a Share.

# CORPORATE DIRECTORY

## **Directors**

Eric Streitberg BSc (App Geoph), FAusIMM, FAICD (Chairman)  
Adrian Cook B Bus, CA, M AppFin (Managing Director)  
Graham Riley B Jur, LLB (Non-executive Director)

## **Company secretary**

Kirsten Cadle BA, LLB, H Dip Tax

## **Registered office**

Level 4  
679 Murray Street  
West Perth  
Western Australia 6005  
Telephone +61 8 9480 0631  
Fax +61 8 9321 0320  
[www.buruenergy.com](http://www.buruenergy.com)

## **Postal address**

PO Box 574  
West Perth  
Western Australia 6872

## **Share registry**

Link Market Services Limited  
Level 12  
680 George Street  
Sydney  
New South Wales 2000

## **Legal advisers**

Mallesons Stephen Jaques  
Level 10  
Central Park  
152-158 St Georges Terrace  
Perth  
Western Australia 6000