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ASX ANNOUNCEMENT (ASX: BRU) 20 April 2009

Proposal to Shareholders and Listed Optionholders

Buru Energy Limited (“**Buru**” or “**Company**”) announces it has today agreed to present to shareholders and listed optionholders a proposal from Arenite Pty Ltd (“**Arenite**”) to acquire all of Buru’s shares and listed options (“**Proposal**”).

The consideration for the Proposal is:

- \$0.25 in cash per Buru share; and
- \$0.025 in cash per Buru listed option.

The Proposal will be conducted via schemes of arrangement to be voted on by Buru shareholders and listed optionholders.

Adrian Cook, Managing Director of Buru said today:

“The independent directors of Buru have resolved to recommend to shareholders and listed optionholders that they seriously consider accepting the Proposal, in the absence of a superior offer and subject to the independent expert concluding that the Proposal is in the best interests of shareholders and listed optionholders.

The independent directors believe that Buru is currently in a sound position with cash reserves sufficient to pursue the Company’s existing strategy in the short term.

However, the independent directors are cognisant of the high risks and costs involved in frontier exploration in the Canning Basin (recognising that the previous holder of Buru’s Canning Basin acreage, ARC Energy Limited, invested some \$52 million in two years exploring in the same area without a commercial discovery). The current state of the global economic environment may also mean that the Company may need to further defer exploration activities if economic conditions and oil prices do not improve, as foreshadowed in the Company’s ASX announcement on 12 January 2009.

Bearing these risks in mind, the Proposal provides shareholders with an opportunity not otherwise available to them to realise cash for their shares at a premium to the current market value. The Proposal represents a premium of 32% to the 30 day volume weighted average trading price of Buru shares and a premium of 79% to the 30 day volume weighted average trading price of Buru options. The Proposal also represents a premium to the net cash backing of the

Company taking into account the \$40 million commitment to Alcoa, its committed exploration expenditure and its ongoing overheads.

If the Proposal is not supported by Buru shareholders and optionholders, the independent directors believe that Buru's existing strategy, which will be diligently pursued and kept under review going forward, continues to be appropriate for the Company."

About Arenite

Arenite is a company associated with the current Chairman of Buru, Mr Eric Streitberg. Arenite was incorporated for the specific purpose of making the Proposal to Buru and intends to fund the Proposal using Buru's existing cash reserves. Arenite plans to meet the substantial ongoing commitments and liabilities of Buru using a combination of the remaining cash reserves of Buru and additional funds to be raised in the future as circumstances require. In addition, Arenite intends to undertake a review of the Company's activities and may undertake a combination of further deferrals of the exploration drilling program, relinquishment of acreage and renegotiation of commitments in a manner and to an extent that may not be acceptable to Buru shareholders.

Given Mr Streitberg's association with Arenite and to ensure there was no risk of actual or perceived conflict in Buru's assessment of the Proposal, the Buru Board adopted a series of protocols limiting Mr Streitberg's role in Buru and his access to information during the assessment of the Proposal. Under these protocols Mr Streitberg has agreed to stand aside from the Buru Board until such time as it is appropriate for him to resume his duties. He has had no participation or involvement in the assessment of the Proposal or in determining whether to recommend it to Buru shareholders and listed optionholders.

Buru's strategy

As previously disclosed to the market, Buru undertook a strategic review of its activities in late 2008 and early 2009 resulting in Buru deferring its planned 2009 drilling campaign and taking measures to cut costs throughout the organisation. The strategic review process also canvassed a number of alternative strategies to realise value for Buru shareholders, including mergers and other corporate activities, divesting assets and returning capital to shareholders.

In assessing the Proposal the independent directors took into account the results of the strategic review and formed the view that the Proposal is the only opportunity to provide an immediate, above market, cash alternative to Buru shareholders and listed optionholders. The Proposal is not an option that Buru itself would undertake having regard to the aforesaid strategic review, its current cash reserves and future commitments and its intent to pursue, in the absence of such an offer, its previously articulated strategy.

Commenting on the assessment of the Proposal, Mr Cook said:

"Buru's Canning Basin exploration strategy was put in place in August last year as part of the demerger of the Company from ARC Energy. At this time, high risk frontier exploration was appropriate with high oil prices and strong equity and debt markets.

As the Company announced in January 2009, this strategy is more difficult to successfully execute in the current environment of low oil prices and tight equity and debt markets. It is for this reason that Buru resolved to defer its previously planned 2009 drilling campaign and monitor its forward exploration program in the light of market conditions.

We have not changed our view on the geological prospectivity of the Canning Basin, but recognise that a discovery requires patience, skill and some luck and commercialising a discovery has become more challenging in the current economic environment.

The independent directors acknowledge that shareholders may have varying investment time horizons and appetites for frontier exploration risks, and that these factors are now substantially different to those when the Company's exploration strategy was put in place. In this context the independent directors consider it appropriate shareholders and listed optionholders be given the opportunity to consider this Proposal and determine whether to receive the cash proposed or to continue with Buru's current frontier exploration strategy."

Process and Timetable

Mallesons Stephen Jaques provided legal advice to the independent directors on the Offer and will continue to provide legal advice during the course of the scheme, including in the compilation of the scheme booklet.

A scheme booklet setting out full details of the Proposal is currently being prepared to assist Buru shareholders and listed optionholders to fully understand and evaluate the Proposal. Included in the scheme booklet will be an independent expert's report, prepared by PricewaterhouseCoopers. The independent expert will report on whether the Proposal is in the best interests of Buru shareholders and listed optionholders.

If shareholders and optionholders support the Proposal it will be implemented by way of two simultaneous schemes of arrangement, one in respect of Buru shares and the other in respect of Buru listed options. The schemes require the approval of Buru shareholders and listed optionholders respectively, and the approval of the Federal Court. The schemes are cross conditional, meaning that both schemes must be approved by security holders and the Federal Court in order for the Proposal to be completed. In addition, the schemes are subject to the satisfactory fulfilment of a number of conditions customary for a transaction of this type. Buru has entered into a Scheme Implementation Agreement with Arenite in relation to the Proposal, a summary of which is set out in the Appendix to this announcement.

If supported at the meetings, it is expected that the Proposal will be completed by mid-July 2009, with the scheme booklet being sent to Buru shareholders and optionholders at the end of May and the scheme meetings being held in late June.

FOR FURTHER INFORMATION PLEASE CONTACT

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Appendix - Summary of Implementation Agreement

Arenite Pty Ltd (“**Arenite**”) and Buru Energy Limited (“**Buru**”) have entered into an Implementation Agreement (“**IA**”) dated 19 April 2009 which sets out the obligations of Arenite and Buru in connection with the implementation of the proposed acquisition transaction.

A summary of the structure of the transaction, and an outline of the key terms and conditions of the IA, are set out below.

1 Transaction structure

1.1 Overview

Buru will propose schemes of arrangement under which the acquisition of all the shares and options of Buru by Arenite (other than those held by related parties of Arenite) will be effected (“**Schemes**”). The Schemes are interconditional and, unless Arenite waives approval of the option scheme, both Schemes must become effective for the proposed acquisition of Buru to proceed.

1.2 Acquisition of Scheme Shares

Buru shareholders participating in the Share Scheme (“**Scheme Shareholders**”) will transfer their shares in Buru (“**Scheme Shares**”) to Arenite in exchange for cash of \$0.25 per Scheme Share transferred.

1.3 Acquisition of Scheme Options and Unlisted Options

Buru optionholders participating in the Option Scheme (“**Scheme Optionholders**”) will transfer their quoted options in Buru (“**Scheme Options**”) to Arenite in exchange for cash of \$0.025 per Scheme Option transferred.

Buru must use reasonable endeavours to ensure that each holder of an unlisted option in Buru (“**Unlisted Optionholder**”) enters into a deed pursuant to which they agree to cancel each of their unlisted options. Unlisted Optionholders will receive cash of \$0.025 per unlisted option cancelled.

1.4 Provision of Financial Assistance

Buru will disburse the aggregate of the Share Scheme Consideration, Option Scheme Consideration and Unlisted Option Consideration (as defined in the IA) to Arenite (“**Financial Assistance**”). The provision of financial assistance is subject to shareholder approval in accordance with section 260B(1) of the Corporation Act 2001 (Cwlth) (“**Act**”).

2 Conditions Precedent

The obligations of Arenite to pay the consideration under the Schemes are subject to the following conditions precedent:

- (a) the Share Scheme being approved by Scheme Shareholders;
- (b) the Option Scheme being approved by Scheme Optionholders;
- (c) each Unlisted Optionholder other than an Excluded Unlisted Optionholder (as defined in the IA) entering into a deed pursuant to which the Unlisted Optionholder agrees to the cancellation of each unlisted option held by him or her;
- (d) no court order or other legal restraint preventing the consummation of the Schemes being in effect;
- (e) receipt of the approval of ASIC, ASX and all other necessary government agency approvals;
- (f) the giving of the Financial Assistance (as defined in the IA) by Buru is approved by Buru shareholders by the required majority under section 260B(1) of the Act;
- (g) the proposed acquisition is approved by Buru shareholders as a related party transaction;
- (h) the independent expert to be appointed by Buru to opine on the Schemes concluding that the Share Scheme is in the best interests of Scheme Shareholders and the Option Scheme is in the best interests of Scheme Optionholders;
- (i) no “Buru Material Adverse Change” (as defined in the IA) occurring;
- (j) no “Buru Prescribed Event” (as defined in the IA) occurring;
- (k) Buru confirming that it holds not less than the Minimum Cash Balance (as defined in the IA) on the business day immediately before the second Court hearing to approve the Schemes; and
- (l) Buru obtaining from ASX a waiver of any requirement under Listing Rule 6.23.2 to obtain the approval of the Buru shareholders to the cancellation of the unlisted options (or Buru shareholder approval otherwise being obtained).

Each party has agreed to use their reasonable endeavours to procure that each of the conditions precedent are satisfied as soon as possible and that there is no occurrence that would prevent the conditions precedent being satisfied. The conditions noted above maybe waived by one or both parties as specified in the IA.

3 Reconstitution of Buru Board

Buru has agreed that, as soon as practicable after the date of implementation of the Schemes, Buru will use its reasonable endeavours to:

- (a) procure that Adrian Cook and Graham Riley to resign their office as directors; and
- (b) cause the appointment to the Buru board of such persons as nominated by Arenite.

4 Recommendation of Independent Directors

Buru has agreed to procure that each of Adrian Cook and Graham Riley (“**Independent Directors**”) do not vote against the Schemes and that each of the Independent Directors recommends to scheme participants that they vote in favour of the Schemes, if they wish to liquidate their investment in Buru at a premium to the 30 day VWAP of Buru Shares or Buru Options (as the case may be) as at the date of announcement of the Proposal, unless:

- (a) there is a Superior Proposal; or
- (b) the Independent Expert opines that the relevant Scheme is not in the best interest of Scheme Shareholders or Scheme Optionholders.

5 Implementation

The parties have agreed that each of Arenite and Buru will take all necessary steps to propose and implement the Schemes as soon as reasonably practicable.

Buru has agreed to commission an independent expert’s report in respect of the Schemes.

Further, Buru has agreed to carry on its businesses in the ordinary and proper course.

6 Termination

The IA provides for the following termination rights prior to the second Court date:

- (a) by either party if a court or other regulatory authority issues a final and non-appealable order, decree or ruling or takes other action which permanently restrains or prohibits the Financial Assistance or the acquisition proposal;
- (b) by Buru if Arenite is in material breach of the IA including any representation, warranty or undertaking (but subject to a cure period);
- (c) by Arenite if Buru is in material breach of the IA including any representation, warranty or undertaking (but subject to a cure period);

- (d) by either party if the resolution submitted to a Scheme meeting is not approved by the requisite majority;
- (e) by Arenite if a person (other than Arenite or its associates) has a relevant interest in more than 50% of the Buru shares;
- (f) by either party if the conditions precedent inserted for their benefit are not satisfied or waived;
- (g) by Arenite if any of the Independent Directors change their recommendation to the scheme participants that they vote in favour of the resolution to approve a scheme, including any adverse modification to their recommendation;
- (h) by either party if the independent expert opines that the Share Scheme is not in the best interests of Scheme Shareholders; or
- (i) by either party if the other party or any of their related bodies corporate becomes insolvent.

7 Break fee

If the IA is terminated by Arenite because the Independent Directors change their recommendation to the scheme participants that they vote in favour of the resolution to approve a scheme, including any adverse modification to their recommendation (other than in circumstances where there is no superior proposal and the Independent Directors obtain written legal advice that continuation of their recommendation would involve a breach of their duties or would be unlawful), Buru has agreed to pay the reasonably incurred and verifiable costs of Arenite up to a limit of \$350,000.

8 Representations and warranties

Each of Arenite and Buru has given representations and warranties which are normal for an agreement of this kind, including representations and warranties as to information contained in the Scheme booklet and compliance with disclosure obligations. The IA contains indemnities in respect of loss arising by reason of any breach of representation or warranty.