

# ARENITE PTY LTD

ACN 136 483 540

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## MEDIA RELEASE

### ACQUISITION OF BURU ENERGY LIMITED

20 April 2009

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Arenite Pty Ltd ("**Arenite**" or "**Company**") is pleased to advise that it has entered into a binding agreement with Buru Energy Limited ("**Buru**") pursuant to which Buru has agreed to propose to Buru shareholders and optionholders a cash offer by Arenite to acquire all of the shares and options in Buru for \$0.25 per Buru share and \$0.025 per Buru option ("**Offer**").

#### The Offer

The Offer represents strong value for Buru shares and options. It is at a price higher than any price at which Buru shares have traded since mid-October 2008 and higher than that at which Buru options have traded since mid-December 2008. The Offer is at an attractive premium to the recent trading range of Buru shares and listed options:

- a premium of 32% to the 30 day and three month volume weighted average trading price of Buru shares of \$0.19; and
- a premium of 79% to the 30 day and three month volume weighted average price of Buru listed options of \$0.014.

The Offer is also a premium to Buru's underlying net cash backing. As set out in Buru's Half Yearly Report for the period ended 31 December 2008, Buru has total cash of \$79.3 million and a \$40 million commitment to Alcoa. This implies an underlying net cash backing per Buru share of \$0.24<sup>1</sup>, before any spending on exploration or other activities. Buru has committed to spend \$6.5 million on seismic surveys in 2009 and has work commitments with the Western Australian Department of Mining and Petroleum requiring the expenditure of up to \$137.9 million, or the equivalent of \$0.85 per Buru share, over the next five years.<sup>2</sup> Fulfilling these commitments, together with Buru's ongoing overhead costs, is likely to cause Buru's underlying net cash backing to fall significantly below its current level.

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<sup>1</sup> Based on 162,119,728 Buru shares.

<sup>2</sup> Buru Half Yearly Report for the period ended 31 December 2008.

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#### ENQUIRIES

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Buru has stated that, absent the Offer, it remains committed to pursuing its existing strategy of high risk frontier exploration in the Canning Basin. The level of commitments and the costs of frontier exploration in the Canning Basin mean it is likely that Buru will need to raise further capital to continue to pursue that strategy.

The Offer provides investors with the opportunity to receive value for their investment in Buru at a premium to the market price of Buru's shares and listed options. The consideration under the Offer is all cash, which provides certainty of value in comparison to the considerable risks associated with continuing to hold Buru shares and options. If the Offer is successful, Arenite will take responsibility for meeting Buru's significant future commitments while, if the Offer is unsuccessful, these commitments and the risk of exploration failure will continue to rest with Buru shareholders and optionholders. Buru's predecessor in the Canning Basin, ARC Energy Limited, spent approximately \$52 million in two years on exploration drilling and seismic data acquisition in the same area without commercial success.

### **Background on Arenite**

Arenite is a private, unlisted company associated with the Chairman of Buru, Eric Streitberg. Arenite was established specifically to make the Offer. The Buru board has adopted protocols to deal with the potential conflict of interest that may arise from Mr Streitberg's association with Arenite and his role as Chairman of Buru. In accordance with those protocols Mr Streitberg has agreed to stand aside as Chairman of Buru. He will continue to act as a director of Buru, but will not be involved in any way in the assessment or evaluation of the Offer and will not attend board meetings or any part thereof that relate to the evaluation or assessment of the Offer or any competing offer. Mr Streitberg will not vote on the Offer and, if the Offer is successful, he will not receive the Offer consideration for his Buru shares and options.

If the Offer is successful, Arenite will use Buru's existing cash to fund payment of the consideration to Buru shareholders and optionholders. The total consideration to be paid to Buru shareholders and optionholders is approximately \$41.3 million, from Buru's underlying net cash position of \$39.3 million<sup>3</sup> (before accounting for any costs between 1 January 2009 and completion of the Offer).

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<sup>3</sup> Assuming cash of \$79.3 million and the \$40 million commitment to Alcoa as set out in the Buru Half Yearly Report for the period ended 31 December 2008. The Alcoa commitment becomes payable no earlier than January 2012.

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### **Reasons for making the Offer**

Buru was established when oil prices were significantly higher and when equity markets continued to provide a readily available source of funds for oil and gas exploration. These conditions no longer exist. Consequently Buru's business model of high cost frontier exploration is now a much riskier proposition.

As indicated by Buru on 12 January 2009, the lower oil price means that many of the prospects Buru may have considered for drilling in the past may no longer be economically viable. Arenite therefore considers that Buru's existing business model is not appropriate at this time and is more likely than not to result in a diminution of Buru shareholder value. Furthermore, there are currently limited opportunities to raise new funds if Buru's existing funds are spent without commercial success and, even in the event of success, a capital raising in the current market is likely to be adversely dilutive to existing shareholders. By making the Offer, Arenite is providing Buru shareholders with the opportunity to receive value for their investment in Buru at a premium to market price.

Buru has also indicated that, while remaining committed to pursuing its existing strategy, it may continue to defer exploration activities until economic conditions improve. If this occurs, any potential upside from exploration will again be delayed, probably until beyond 2010. In contrast, the Offer provides shareholders and optionholders with certainty of value for their investment today at an attractive premium to the market price of Buru shares and listed options.

If the Offer is successful, Arenite intends to delist Buru. Arenite expects that this will allow a number of cost savings to be made that could not be made while Buru remained listed. Arenite also intends to undertake a thorough review of Buru's business. As a result of this review, Arenite expects to undertake a number of steps that Arenite expects would, if undertaken in a publicly listed company, lead to a reduction in the share price. These may include:

- a further restructuring of the exploration drilling program, with timing and targets that may be unattractive to existing shareholders;
- the relinquishment of exploration permits in the Canning Basin;
- the renegotiation of existing commitments on terms that may be unattractive to existing shareholders; and
- the substantial recapitalisation of the company through alternative sources of funding on terms that may be unattractive to existing shareholders.

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### **The conduct of the Offer**

Buru has primary responsibility for the conduct of the Offer. The Offer will be conducted by way of two simultaneous schemes of arrangement to be voted on by Buru shareholders and Buru listed optionholders. Buru has said, in an ASX release made today, that it expects these votes to take place in late June.

As part of the Offer process Buru will prepare and send to Buru shareholders and optionholders a booklet setting out all the information required in order to make a decision on how to vote on the Offer. Buru has said that it expects to send this booklet to Buru shareholders and optionholders at the end of May

The Offer is subject to a number of conditions, including approval of the Federal Court. These conditions, together with other details of the way in which Buru will conduct the Offer, are summarised in the ASX release made by Buru today. This ASX release is available for download from the ASX website ([www.asx.com.au](http://www.asx.com.au); ASX code BRU) or from the Buru website ([www.buruenergy.com](http://www.buruenergy.com)).

### **Further information**

Buru shareholders or optionholders who would like more information regarding the Offer should contact Buru directly:

#### **Buru Energy Limited**

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