



Arête Industries, Inc. **A Business Development Company**

Investor Newsletter No. 2 – June 15, 2003

Overview. Arête Industries, Inc. continues to develop its business development program by pursuing its existing capital funding and financial services client projects, developing relationships with new potential clients, and ongoing work in upgrading the Company's infrastructure and talent base. Arête is pursuing third party and in-house sources of capital to build a portfolio of equity assets and revenue streams from management fees and investment income. As it pursues marketing of its services, the Company continues to refine and re-tool its business plan structure to accommodate the challenges and opportunities that it encounters along the way.

Financial Condition. In the financial reports that have been filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2002 and the first quarter of 2003, we report that with the support of ongoing cash infusions from affiliates, we have reduced our overhead and negative cash flow to historical minimums and basically stabilized the Company from a financial standpoint. Our reports are published on our Website in downloadable PDF format. To finance our business development program, we are now developing financial and capital raising programs to clean up our balance sheet and provide capital for investment into portfolio assets that have a reasonable prospect for significant capital appreciation.

Corporate Finance Activities. Our business plan calls for raising initial capital for our prospective investments by issuing convertible debt or equity securities in a manner which will generate an internal investment pool that will grow as each client graduates from our registered spin-off and dividend program. To supplement our investment activities in the near term, we are developing third party financial support with a number of specialized funding sources that will provide capital directly to the Company's clients while allowing the Company to participate in the ventures with an equity participation and a share of interest generated from the fundings. In the medium term, we intend to create an in-house or captive investment and acquisition fund, by investment grade debt offerings to financial institutions. Our plan is designed to minimize future dilution and maximize net asset value to our equity shareholders. Part of that plan is to convert the Company from a '33 Act reporting company to a publicly traded Business Development Company registered under the Investment Company Act of 1940.

Business Development Projects. The Company has made significant progress on certain continuing business development projects and has begun to develop new business development opportunities. Several of its projects are on hold or discontinued. The following is an update on these efforts.

1. Tri-State Transfer Industries, LLC. This project consists of a founder's subscription to a 5% Limited Liability Company interest in a newly formed company engaged in developing and operating Municipal Solid Waste and Construction and Demolition facilities on the east coast. Tri-State is in its development stage raising capital, securing its first site of operations including land acquisition, environmental and operational permitting, equipment purchasing and securing contracts and designations by governmental agencies for a supply of waste. The Company has progressed along a number of fronts, but the Company's agreement with the other founders of Tri-State prohibits the disclosure of specific information until it has

obtained permits and finalized terms and contingencies to its site acquisition agreements. This project has achieved considerable local and regional support from municipalities and end users and is to be funded with equity and municipal bond financing. This program is being managed by director Gerald Brandimarte who is a principal and founder of Tri-State.

2. Sports Franchise Development. Managed by Director, William Stewart, this project is considered viable, but subject to financing and negotiation of terms with Mr. Stewart for the infusion of interests in new and ongoing projects and no operations within any entity within the Company have commenced. The Company intends to bring in interests owned by Mr. Stewart in certain minor sports team franchises currently being developed by Mr. Stewart, that as of this date have not been committed to be transferred into an entity to be capitalized by Mr. Stewart, the Company and possible third parties.
3. In addition to the above projects, the Company is reviewing the business and financial plans of certain private companies for funding, advisement and to be spun-off in a registered rights offering. These include developing an oil and gas production fund and portfolio, assisting in a roll-up of high-end commercial computer and software system resellers, training and service providers, and a commercial real estate mortgage brokerage and asset based lending financial service provider.

Corporate Vision

Arête Industries vision is to assemble a portfolio of companies that will fundamentally qualify to become public in their own right. The companies that Arête Industries desire to work with will benefit from our expertise, know-how and capital funding connections.

These companies will share these basic fundamentals:

- ✓ Have a proven product and/or service, with a proven market for the product or service, and can capture a significant market share in the near term through appropriately structured debt and equity financing;
- ✓ Have, or in the near future, be able to establish sustainable revenues and a high level of short term growth with an appropriate amount of new capital and without major changes in the current management team;
- ✓ Qualify for short-term debt financing on an interest only basis, through Arête's capital funding programs;
- ✓ Qualify fundamentally and have a desire to go public through the Company's registered spin-off rights offering program;

Our relationships with these companies will be structured to allow Arête Industries to retain a minority equity position, and earn a placement fee and/or retain a portion of interest paid on the fundings. With our knowledge and expertise as well as our access to capital to help secure debt and/or equity financing, we envision our portfolio growing substantially. As the companies are spun off through a registered rights offering, our portfolio will grow and Arête Industries will achieve market capitalization that reflects the portfolio company's status as a publicly traded company.

Ownership of Arête Industries common stock affords the privilege to each one of our shareholders to receive registered stock dividends and participation rights in all rights offerings offered by Arête Industries in each of these ventures. That way our shareholders become the initial public stockholder base for each portfolio company that graduates through the registered spin-off program.

Recent News

Listed here are some recent highlights of Arête Industries. Complete information on these stories can be found on our web site: www.aretindustires.com as well as at our news distribution service, Primezone, at www.primezone.com.

March 26, 2003 - Arête Industries, Inc. issues an update toward completion of purchase of 5% of Tri-State Transfer Industries, LLC. and announces an upgrade to its in-house corporate communications activities.

March 3, 2003 - Arête Industries, Inc. Announces Tri-State Transfer Industries, LLC Signs Investment Banking Agreement to issue debt for its transfer station, waste processing and recycling facility.

For full coverage, please go to the Corporate Information Website, www.aretindustries.com and click on the Press Releases link on the Arête Headquarters Page.

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Arête Industries was founded in 1987 and today has over 8,000 shareholders.

Join our investor/shareholder membership base and receive company information in real-time by email. Go to <http://www.aretindustries.com/signup.html>.

Forward Looking Information

Certain statements contained herein, which are not historical, are forward-looking statements that are subject to risks and uncertainties not known or disclosed herein that could cause actual results to differ materially from those expressed herein. In particular, there are no assurances that the projects will be successful, and therefore no assurance that the Company will generate revenue or equity with any future value, nor are there assurances that the Company will be successful in generation of new business development and investment banking relationships.