

17th August, 2015

CAPITAL RAISE TO FUND WORKING CAPITAL

Dear Shareholder,

Larus Energy Limited (“Larus” or the “Company”) is pleased to formally open the capital raise announced during the Company’s Annual General Meeting held on 11th August 2015. The raise will be at 5 cents per share with the offer is open to all investors who are either:

- Sophisticated investors within the meaning of section 708(8) of the Corporations Act,
- Professional investors within the meaning of section 708(11) of the Corporations Act,
- Eligible for exclusion from the disclosure document requirement under 708(10).

The funds raised will be used for working capital as the Company progresses through the PPL326 farmout process with advisors Moyes & Co.

Further Company information and updates can be found in the 2015 Annual General Meeting management presentations, which are located on the Company website and at the following links:

- [AGM Presentation, Chief Executive Officer](#)
- [AGM Presentation, Exploration Manager](#)

Chris Moyes of Moyes & Co, global oil and gas acquisition and divesture experts leading the farmout process of PPL326, made the following comments in regards to the acreage:

“The Larus Energy Limited, Papua New Guinea License, PPL326 offers a diversified portfolio of exceptional prospects and leads that lie within the play trend in an exciting potential extension of the onshore gas discoveries that are currently being appraised for development for the expansion of additional LNG facilities to add to the export market in Papua New Guinea.

Larus Energy is a frontier oil and gas exploration company committed to maximising results through the effective identification, acquisition, exploration and management of quality conventional oil and gas assets.

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The Company has met the PPL 326 commitments as agreed with the Department, in the past exploration period. The Company has worked with the Department to agree the extension of the License into the next Exploration Period, through August 27th 2018, with appropriate forward obligations, which will allow the Company to complete evaluation of the new seismic and secure partners to drill and evaluate the License hydrocarbon potential. Within this period Moyes expects the industry exploration appetite to recover.”

The Company featured in the August edition of PNG Report in an article written by Robert Hobson, titled ‘Larus Energy: A Promising Frontier’. The full article is attached below and is located on the Company website and at the following link:

- [‘Larus Energy: A Promising Frontier’, Robert Hobson, PNG Report, August 2015](#)

Larus Chairman, Mr Richard Gazal, has provided the following comments: “The last twelve months have seen Larus achieve significant operational and PPL326 license milestones including both approval of our work commitment variation request and subsequent execution of the 800km Paluma seismic survey. This successful completes all work commitments attached the current PPL326 term, significantly de-risking the license as we continue through a period of challenging oil prices.

In parallel to this we have seen an encouraging start to the farmout process led by Moyes & Co, as well as confirmation of financial prudence employed by management during the 2014 financial year. This was prudence illustrated in the 2014 annual report by a year on year reduction in corporate and administration expenditure of 49%, reduction in employment expenditure of 70% and a reduction in occupancy expenditure of 53%.

The operational, corporate, and financial milestones achieved in recent months have put the Company in a strong position to best realise the full potential and value of PPL326 in an efficient and effective manner, as we move forward in to the next 5 year period of the license.

As you are aware I was appointed to the Board in February of 2014 as a result of my interest in Cinu Investments, which is a shareholder and a lender to Larus Energy Limited. This interest, which is aligned with all shareholders, continues to drive my motivation to see the company operated in a financially prudent manner while ensuring the full value of PPL326 is realized.

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The Board is pleased with the interest in Larus Energy from new investors and I wish to thank our existing shareholders for their continued support as we progress this exciting opportunity.”

Yours faithfully,

A handwritten signature in black ink, appearing to be "Ashley Mangano".

Ashley Mangano
Chief Executive Officer

SUBSCRIBE TO THE OFFER:

For subscription to the offer or other investor queries, please contact:

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LARUS ENERGY

A PROMISING FRONTIER

Australian oil and gas junior Larus Energy is confident that it will find the right partner to explore and develop its PPL 326 tenement in southeastern Papua New Guinea.

LARUS ENERGY CEO Ashley Mangano said he was excited about the future of the company's PPL 326 tenement in Papua New Guinea – and challenged anyone to find a better frontier exploration project in the region.

Larus hopes to capitalise on Asia's demand for oil and gas.

The oil and gas junior is in the process of finding a farm-in partner to capitalise on what the company has recorded as a reservoir of up to 50 trillion cubic feet, with 14 companies currently involved in data room discussions and appointing teams to review the seismic information.

PPL 326 has a similar setting to

other discoveries and fields in PNG with complex tectonic history and stretches from Port Moresby towards the south eastern tip of the Papuan Peninsula, covering 16,000 square kilometres and straddling on and offshore acreages.

During an interview with *PNG Report* in June, he said: "At this





CEO Ashley Mangano hopes to find a strategic partner for PPL 326.

point we're very, very excited at where the company's at and we see this as a big opportunity for both PNG and Larus, in that the prospects and leads that we have are all certified by a third party report which indicates hydrocarbon prospectively similar or better to the PNG LNG project.

"The quality of the work we've done has enabled the identification of our current prospects and leads inventory on Larus' books up to 50tcf, which is monstrous.

"The clarity and the definition of the prospects and leads have subsequently allowed a third party report to be generated and put our two largest prospects into the 1-in-10 range in terms of risk, and for a frontier basin that's as good as it gets."

Describing the tenement as the "cream of the crop", Mangano stresses the importance of finding a strategic partner to progress the project from exploration all the way to development.

"For us the partner selection is critical and we want someone who has the expertise – not necessarily in PNG – but globally on similar projects, and has the track record of executing projects safely and timely," he said.

Although not able to comment specifically on the 14 farm-in candidates engaged in the data room analysis, Mangano said they represented the breath of industry operators – from super majors, national oil companies to independents.

"We're probably half way through the farm-out process and we're very

encouraged with the interest that we've had in it so far," he said.

"We are having discussions and management meetings with these companies that have signed confidentiality agreements, and we're guiding them through the data room where they've allocated teams and looking at the data."

UPSIDE FOR INVESTORS

Larus have engaged global oil and gas acquisition and divestiture experts Moyes and Co to facilitate the farm-out process, and have hit a number of operational milestones which bodes well not just for the project but for investors as well.

"We're very confident in the asset, not only from an exploration but an investment standpoint and the capital requirements to execute the farm-outs and the work commitments won't be too onerous," Mangano said.

"It's unique in its size and it's on the high end, so we're confident in terms of peoples investment portfolio, PPL 326 will rank high.

"We are happy with the work that's been done to date and we don't see a further need to define those prospects and leads prior to drilling."

Larus' status as an unlisted public company may have buffered the company from the tough market conditions experienced by the oil and gas industry.

Despite not reaching its \$A3 million capital raising target, current shareholders have left the company enough funds until the execution of the anticipated farm-out agreement.

"We've had a positive response

from our shareholders but we're finding it a challenge to raise funds in the current climate," Mangano said.

"Some of the feedback we got is that the money we've spent and the work that we've done for a company of Larus' size has been exceptional, and that has certainly boded well for the farm-out and capital raising."

FUTURE PLANS

Although the project is still in its exploration phase, Larus is setting itself up to satiate some of the Asia Pacific region's thirst for oil and gas.

The company's two main prospects in PPL 326 – Kuala and Sunday – have enough capacity for a standalone project, meaning Larus and its yet-to-be-determined farm-in partner would oversee the entirety of the extraction, processing and sales process.

Doing so would not be small undertaking, as all the associated-infrastructure would need to be built and maintained.

There is a possibility for Larus to use or attach its facilities to the existing PNG LNG or even to the anticipated Elk-Antelope project (now known as the Papua LNG project) infrastructure, should the prospects indeed hold gas.

But should they contain oil, then it would significantly change how Larus would approach developing PPL 326.

"Kuala and Sunday are 10 and 12tcf respectively, which is more than enough for a standalone project and given their size and the leads we have, we see this as a separate project to the current PNG LNG project," Mangano said.

“By standalone I mean all midstream and downstream facilities to produce and sell the LNG, if it is LNG; but if its oil – which it could actually be – then that is a monstrous game changer.

“Further down the track we expect we would build the pipeline, build a facility and sell [LNG or oil] separately. If for whatever reason we see the PNG LNG project as a positive, then potentially something could be piggy-backed if that was deemed to be the best path forward.”

COOPERATION

Working with PNG’s Department of Petroleum and Energy has been a positive experience for Larus, with Mangano commending their professionalism and describing the relationship as “exceeding expectations”.

While larger oil and gas companies have the resources and capital to offset any additional costs related to the licence approvals process, companies the size of Larus need to keep abreast of things in order to comply with the necessary provisions.

“It has exceeded my expectations in terms of efficiency and response

time and we found them firm, diligent and understanding of business requirements,” he said.

“[The department] have been very strict that work commitments are met and we found the government amenable to working Larus to make sure the work gets done.”

“For us being a junior, I think it’s even more challenging than the majors and super-majors in the country,” he said.

“To secure investment – from a shareholder standpoint – there is a

believes many projects should “go above and beyond” royalties and has identified the supply of domestic gas as a way of positively contributing to PNG’s economy.

“The individual companies executing those projects should have much of a positive influence as possible on the country and the local community,” he said.

“One of those would be domestic gas supply and I certainly see that benefiting PNG, and the company would certainly be interested in

“For us the partner selection is critical and we want someone who has the expertise – not necessarily in PNG – but globally on similar projects, and has the track record of executing projects safely and timely.”

ASHLEY MANGANO
CEO, LARUS ENERGY

constant need to be on top of all of the compliance and approvals because we need everything done before we can draw funds or raise money.”

Although many resource companies have some form of community engagement, Mangano

exploring those opportunities.”

At the time of writing, Larus had called an AGM to be held in August to update shareholders on the progress of the farm-out, and to review the developments in PPL 326 which have occurred in the first half of the year. **PNG**

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