

17<sup>th</sup> March, 2015

## CAPITAL RAISE UPDATE

Dear Shareholder,

Larus Energy Limited (“Larus” or the “Company”) provides this update to shareholders on the current placement to raise up to \$3 million by the issue of 60 million shares at 5 cents per share (“Placement”).

The Placement has been well received with strong initial interest from existing shareholders. As stated in the initial placement notice, the company would like to ensure existing eligible shareholders receive priority to this investment opportunity. As such the initial three (3) week period of the Placement, concluding Monday 23<sup>rd</sup> March 2015, will only be open to eligible current shareholders before the opportunity is offered to new investors on the same basis.

The main purpose for the Placement is to fund the upcoming seismic program. The acquisition of this seismic is driven by three factors: (1) technical requirement, (2) license work commitment, and (3) forward planning.

The technical requirement is two-fold. Firstly, acquiring regional permit wide seismic will allow for a better technical understanding of the permit area in order to plan for 50% relinquishment of PPL326 at the completion of license Year 6 on 25<sup>th</sup> August 2015. To a minor extent this program will further delineate the 13TCF ‘Sunday’ prospect and other leads in the region.

To ensure the license remains in good standing, there is a requirement to acquire at least 400 km of seismic (onshore or offshore) to meet our license Year 5 & 6 work commitments. This comes as a result of the recently approved variation to PPL326 work commitments, removing an offshore well commitment and subsequently increasing the seismic acquisition from 300 km to 400 km. Although there is already 120 km of line cutting prepared for an onshore seismic program, the time required to complete line cutting, shot-hole drilling and obtain a recording crew before the end of Year 6, that is August 25<sup>th</sup> 2015, makes this option unsuitable if we are to meet our Year 5 & 6 work commitments by this deadline.

The forward planning aspect of the seismic program surrounds the question of which 100 sub-blocks will be relinquished from the PPL326 license description. The retention period metrics will need to be

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lodged with the PNG Department of Petroleum and Energy three months prior to the completion of Year 6. As a result, Larus will need to have a wider technical understanding of the region to ensure the high value sub-blocks are retained.

The planned seismic program is comprised of two long regional strike lines that stretch from the western border of PPL326 to the eastern border and back, totalling 800 line kilometres of deep water 2D seismic acquisition. The lines will also pass over numerous leads and prospects and assist to further delineate the specific regions. The program is scheduled for mid-April 2015.

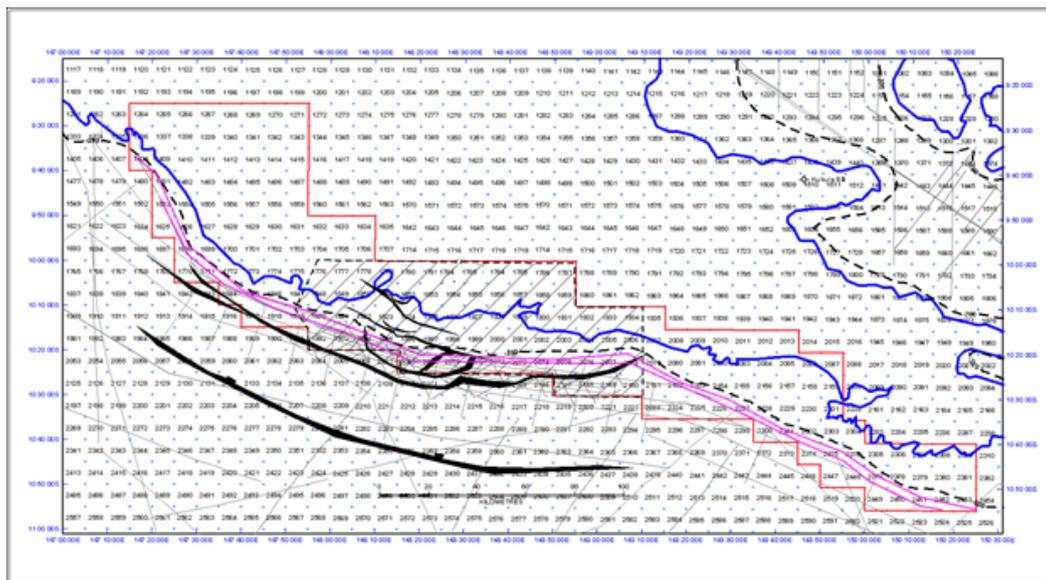


Figure 1: Planned 800km 'Relinquishment Shoot' Seismic Acquisition (Purple Lines)

The Company remains focused of securing an industry partner (farmout) to complete a high impact drilling program, and the completion of this seismic program will ensure both the Company and industry partner have sufficient time to plan and execute the proposed subsequent drilling program.

As indicated in the initial placement notice, the majority of the capital raised will be allocated to this seismic program, including contingency, with remaining funds allocated to the farmout process of PPL326 and 12-months working capital. Larus continues to work closely with global oil and gas acquisition and divesture experts Moyes & Co (farmout advisor) to market PPL326. Larus recently presented the PPL326 opportunity at the APPEX conference in London, receiving notable interest as a result, and will also present at the upcoming SEAPEX conference in Singapore to ensure effective

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promotion of the farm-in opportunity. With a strong investment thesis, high level of interest in PNG as a result of the PNG LNG project, and significant potential to replace a material volume of reserves for oil companies, Larus remains optimistic a deal for PPL326 can be secured in light of the current market conditions.

The Company encourages eligible current shareholders to participate in this opportunity as we move into an exciting period for the company. Securing a farmout will be a transformational event for the Company and is expected to realise significant value for Larus' shareholders, firming up a high-impact drilling program to test the multi-trillion cubic feet of gas potential of the PPL326 license. Placement application forms can be obtained from Matthew Azar, Larus Energy Company Secretary, on the particulars below.

## CONTACT

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

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