



Larus Energy Limited

ACN 140 709 360

CHAIRMAN'S ADDRESS

During the year we continued to work our data and add to the existing modelling of regional gravity and magnetics which enabled the identification of a large sedimentary basin in the region, termed the Torres Basin.

The geological and geophysical work conducted by Larus to date in this area has significantly enhanced the petroleum prospectivity. Larus has moved in line with other regional explorers and further refined its' understanding of the petroleum potential of the shallower Miocene carbonate plays and the Tertiary sandstone plays. A newly found oil seep in the onshore Torres Basin has further strengthened Larus' acreage position and has confirmed that PPL579 holds the kitchen area of the basin from which hydrocarbons can migrate and accumulate within potential structural and stratigraphic traps.

Larus has maintained its' strong relationships with the PNG Government and Regulator through the fulfilment of its on-going work commitments in PPL579. Kupiano staffing levels have been maintained at 25 for community awareness matters as well as reconnaissance work.

Papua New Guinea – APPL580

As you will be aware, Larus lodged an application for further onshore acreage in December 2015, APPL580. The application consisted of 10 sub-blocks with an area of approximately 842 square kilometres. The application is on the northern boundary of PPL579. The application was made on the basis of the exploration potential of the region. It gives Larus a large onshore acreage position over the Torres Basin. The application has now been gazetted by the DPE. Assuming no objections are raised, the application will then proceed to be considered by the Minister for approval. Updates on the application process will be provided in due course.

Operating results for the year

The net result of operations after applicable income tax expense of the Group for the year ended 31 December 2018 was a loss of \$1,247,282 (31 December 2017 - a loss of \$1,390,127).

Farmout

The board made it clear that the farm-out of PPL579 was a priority for the company during 2018 and whilst we had an encouraging level of interest early in the process, with multiple majors and significant regional players entering the data room, we are yet to receive an offer that provides the company with the right balance to progress forward with a partner(s).



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The board and management will now start to divert time and capital to conducting the necessary work to fulfil the commitments for years 3 and 4 of our license, in accordance with the variation submitted. We will of course continue to pursue farm-out opportunities with our A & D partner Moyes and Co. We will keep shareholders updated, as necessary, in regards to this.

The Board would like to thank management for the considerable effort throughout the year and also thank shareholders for their continued support.