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SHAREHOLDER UPDATE

4 December 2012

Larus Energy Limited is an Australian public unlisted petroleum exploration company with 2 assets:

Torres Basin, Papua New Guinea (PPL 326 - 100% Larus)

16,752km² Onshore and Offshore

Gippsland Basin, Australia (100% Larus)

8,300km² Offshore

It has been over 3 months since the company provided you with its last regular update on the progress of Larus Energy Limited and more specifically our two assets comprising of Papua New Guinea PPL326 and Gippsland Basin tenements VIC/P63, VIC/P64 and T/46P. We are endeavouring to get these updates out on a quarterly basis now and apologise for the delay with this one.

During this period the company, assisted by its advisor Strategic Capital Management ("SCM"), has been re-evaluating the business as it currently stands in the light of the difficult capital markets junior exploration companies are experiencing. We have been exploring and testing the waters on the best approach to take to progress the company and its assets to the next stage of value enhancement and development.

These initiatives include completing the evaluation and interpretation of the results of seismic studies, determination of what further pre-drilling data is required, preparation for drilling and commencing dialogue with potential JV and Farm out partners.

PNG Seismic studies:

The company undertook the first targeted seismic acquisition programs and analysis in the PPL 326 area in 2011 and 2012 over deeper and shallow water locations. The results, as advised to you previously, were very encouraging and caused us to become far more optimistic about the onshore area in and around our base at Kupiano. Our PNG project now consists of a very strong inventory of 6 drillable prospects, 16 strong leads and 28 weak leads. Preparations are well advanced for acquiring at least 300km of seismic over onshore locations during the next few months with access and compensation agreements being signed up with local landholders and lines being cut in preparation for seismic equipment being laid out. This onshore seismic program is ready to commence immediately to take advantage of the narrow weather window in PNG and availability of seismic equipment.

PNG Drilling preparation:

It is also critical that we proceed immediately thereafter to drilling to obtain information to tie into the data obtained during the seismic program. With that focus, the company is assessing its drilling options with an aim of commencing a drilling program in the first half of 2013. These first wells in the region will provide valuable information which will significantly improve our negotiating position with third parties.

Farm out / JV partnership:

The Company has appointed RFC Ambrian to assist with running a process to identify an appropriate partner for the company to work with it in the further exploration activities – in particular in relation to the higher cost (and more substantial) opportunities in the current prospects and leads inventory. We have

commenced a process to find such a partner and there are a number of companies who are presently participating in it and are exhibiting strong interest. We believe bringing in an experienced partner to work with us is a prudent strategic step to de-risk the project over time. The initial approaches have been encouraging and we will continue to progress this process as quickly as possible.

With the results of the work conducted on the data over the Gippsland Permits and the number of commercial size oil targets identified, we have commenced a farmout process for those Permits to identify a JV partner there as well.

Regulatory/Government relations:

The company has maintained its strong relationships with the PNG government and has kept the Department advised of progress. With the elections behind it and the international focus on oil and gas commercialisation in PNG, the PNG Government continues to be strongly committed to ensuring as many oil and gas projects as possible progress. The company is well positioned to take advantage of these factors.

The company is committed to meeting its minimum work commitments under its various licences, which it has achieved with each of the licences since it has held them.

Operations:

Capital management has remained and continues to remain a strong focus for the Board and management. The company is focussed on managing its cash position and has been prudent in managing its expenses. At the end of October our cash position was approximately A\$880,000.

Asset Updates:

- **Torres Basin, Papua New Guinea:**
 - Technical work continues prior to the planned onshore seismic program. This onshore seismic program was planned for November 2012 – January 2013, however has been delayed due to insufficient capital available to the company at the time commitments needed to be made.
 - PPL326 now consists of 6 drillable prospects, 16 strong leads and 28 weak leads. A very strong inventory which has the level of scale that attracts the interest of larger companies.
 - These prospects and leads equate to an unrisks resource potentially in place of 92 TCF (trillion cubic feet of gas) and 1.5 billion barrels of associated condensate.
 - The identification of a direct hydrocarbon indicator (DHI) in the shallow water area has given the company additional enthusiasm about the prospectivity of the asset.

- **Gippsland Basin, South East Australia:**
 - Recent data analysis has significantly improved the prospectivity of the Gippsland permits and has identified a number of potentially very large oil targets.
 - The key targets now require 3D seismic acquired over them prior to a decision to drill.

The Company's Managing Director, David Williams, will be addressing the Twelfth Papua New Guinea Mining and Petroleum Investment Conference in Sydney tomorrow. A copy of his Presentation will then be available under the Presentations section of the News tab on the Company's website –

www.larusenergy.com.au

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