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SHAREHOLDER UPDATE

17 AUGUST 2012

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

Torres Basin, Papua New Guinea (100% Larus)

16,752km² Onshore and Offshore

Gippsland Basin, Australia (100% Larus)

8,300km² Offshore

Highlights

Torres Basin, Papua New Guinea:

- Newly identified basin (the Torres Basin) which is tantamount to a buried Highlands.
- All known plays in the Papuan Basin can be demonstrated in the Torres Basin.
- At least 11 plays to be pursued - key play risked at 40%, key prospect risked at 9%.
- Abau Shallow Water Seismic Survey (acquired February 2012) data has been processed and interpretation has now been completed.
- The interpretation of the Abau Shallow Water Seismic Survey has generated very promising results - a Mesozoic petroleum system containing both source and reservoir is likely to exist.
- The Company's understanding of existing and new plays have been confirmed and previous views on prospectivity have been reinforced.
- The Company has commenced preparatory work to conduct on shore pre-drilling seismic surveys and associated land access agreements have been resolved.

Gippsland Basin, Australia:

- Larus has combined modern and vintage data sets, providing a new and different perspective.
- The Company has been developing leads and prospects within the permit areas.
- 3D Seismic is likely to be required over the leads. Capital permitting, this is targeted for early 2013.

Corporate:

- The Company completed its 20 cent capital raising on 30 April 2012 - raising a total of \$7.6M.
- The Company is in a relatively strong financial position with no debt.
- Additional funding is required to pursue the Company's work programs for the second half of 2012. The Board is examining various alternatives in what is a difficult economic environment.

Torres Basin, Papua New Guinea (PPL 326)

The Company has a clear two phase strategy for PPL326, in summary:

- Complete the pre-drilling seismic programs as soon as possible to enable Larus Energy to gain a greater understanding of PPL 326 and enhance its value to potential future funding partners; and then proceed to
- Lock-in sufficient capital (raised ourselves or by farm-out) to enable Larus Energy to work through a multi-well drilling program that will uncover the real value of PPL326.

The results of the August 2011 seismic survey led us to explore on the north side of that survey which we did in February 2012;

As reported to the Annual General Meeting in May the Abau shallow water transition 2D seismic survey has recently been completed. Data from this survey has now been processed and the interpretation has been finalised. As a result the Company has substantially advanced the Torres Basin project:

- Maturing existing leads and prospects;
- Adding new leads, prospects and plays;
- Produced a probable direct hydrocarbon indicator – better than an oil seep;
- Shows the formers hills now buried – under 800m of mud;
- Further unlocks the story.

The results of the Abau survey have been particularly encouraging as to the prospectivity of the onshore parts of the licence. As a result we have programmed an onshore seismic survey to the NW of the Sunday Prospect as a pre-cursor to an onshore drilling campaign. Discussions with some potential partners for that drilling campaign have commenced.

Gippsland Basin, Australia

We have been working through the large amounts of 2010 seismic data. This has shown some strong anomalies consisting of a series of anomalous high amplitude reflections in the shallow section near the basin margin in permit T/46P. The anomalies tie in on five different seismic lines leading us to interpret this as a Hydrocarbon Related Diagenetic Zone (HRDZ).

The location of this HRDZ is interpreted to indicate hydrocarbon leakage as the topseal onlaps the basin margin and that hydrocarbons have migrated through the area.

The interpretation work is nearing conclusion and a number of leads are being identified. The Permits are in their 5th year and accordingly a “drill or drop” decision will be required in the near future.

Corporate

The Company closed its 20 cent capital raising on 30 April 2012 which raised a total of \$7.6 million.

The Company's financial position is relatively strong with approximately \$2 million in cash – and no debt. The Company remains focused on keeping costs low so as to preserve capital for operating activities.

The Company continues to assess the viability of an Initial Public Offering (“IPO”) however, market conditions for new listings remain difficult at the present time. The Company is conscious of the need to ensure that any listing, and associated capital raising, must be undertaken on terms which are deemed favourable for the Company and in the best interests of existing shareholders.

The Board is also continuing to review a number of alternative initiatives to address the capital requirements of the Company going forward.

With the peaceful and productive conclusion of elections in Papua New Guinea the Company looks forward to a continuation of its constructive working relationship with the government and stakeholders.

Dr. Michael Swift will be formally presenting his paper “Torres Basin: A new Mesozoic Petroleum System in Papua New Guinea” at the Eastern Australian Basins Symposium on Friday 14 September in Brisbane.

Mr. David Williams will be speaking at:

- RIU Good Oil Conference in Fremantle, WA on 5 September 2012; and
- World Independent and Junior Oil Congress - Asia in Singapore on Monday 15 October 2012.

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