



ANNUAL GENERAL MEETING 2012

MANAGING DIRECTOR'S BRIEFING

1 MAY 2012



PNG

AUSTRALIA

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- Company was incorporated in November 2009
- As at 10 April 2012 the Company had the following capital structure:

Shares

Ordinary (Fully paid) 152,707,620

Options

15 cent exercise price, expiring 30 June 2014 4,000,000

20 cent exercise price, expiring 13 January 2013 3,750,000

25 cent exercise price, expiring 13 January 2013 1,500,000

30 cent exercise price, expiring 28 February 2013 3,000,000

40 cent exercise price, expiring 28 February 2014 3,000,000

26 cent exercise price, expiring 24 February 2016 400,000

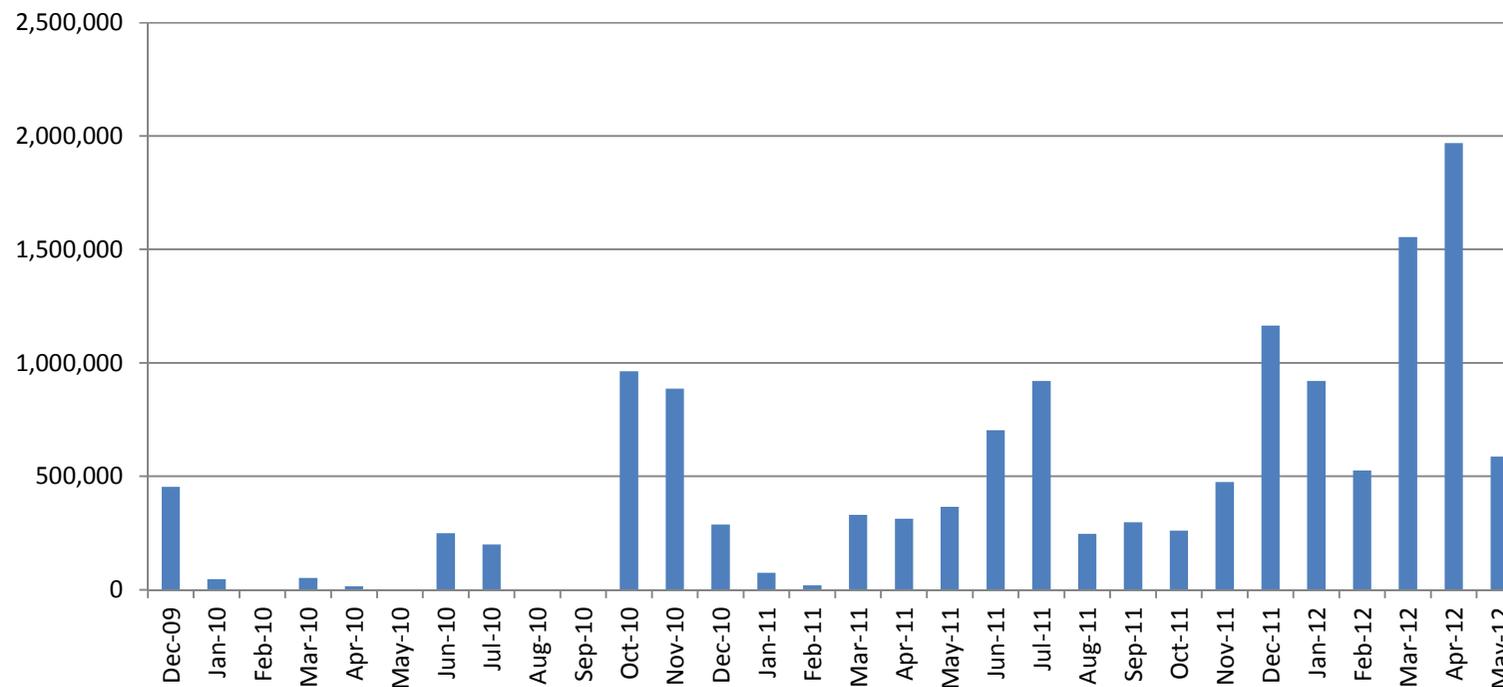
26 cent exercise price, expiring 10 April 2016 600,000

Total Options 16,250,000

Capital Raising



- Capital raisings have been at 12.5c, 10c and 20c
- Since inception raised over \$13.8M
- Since last AGM have raised nearly \$10.3M
- Has been a steady but drawn out flow in of funds, but exploration expenditure requirements are chunky with long lead times



Achievements



- Started with a spring in our step after shareholder enthusiasm from last AGM
- Capital has been raised to enable significant exploration activity
- Remain with cash in Bank (approximately \$3M), enables security of operations going forward
- Undertaken 2 major seismic acquisition programs in PNG
- Established operational base at Kupiano in PNG
- Commenced preparatory work for next PNG seismic acquisition program
- Acquired Gippsland permits to diversify portfolio
- Obtained 9,500km of 2010 seismic data for Gippsland (8,000km at no cost)
- Established a physical Head Office in Sydney
- New website operating enabling timely flow of information to all stakeholders
- Refreshed image and name for Company

Strategy going forward



- Capital raising:
 - Have closed the capital raising at 20 cents per share.
 - Much larger amounts now needed for exploration activities:
 - PNG onshore seismic - \$10M
 - PNG further shallow water/transition seismic - \$5M
 - PNG further offshore seismic - \$2M
 - Gippsland 3D seismic - \$3M
 - Then to drilling
 - Have had to continually “cut our cloth” on exploration activities to match the limited capital we have had available
 - Need to not have capital resources driving exploration, it needs to be other way around
 - Desire to IPO at the appropriate time, but need to ensure all shareholders are getting best value through capital raising

Strategy going forward



- PNG Further Development:
 - Ultimate end point has not changed – farmout major exploration drilling activity to major oil and gas company(s)
 - Need to ensure we are in as strong a position as possible to conduct those negotiations:
 - Understand the value of PPL 326
 - Derisked as much as possible
 - Alternatives to pursue
 - Not cash constrained
 - So:
 - Complete seismic picture of the various plays on and offshore
 - Develop drillable targets
 - Develop shallow water prospect(s)
 - Pursue lower cost onshore drilling to increase understanding and then to discovery

Strategy going forward



- PNG Further Development (cont.):
 - Good oil and gas industry practice is to lay off risk
 - Use farmouts for onshore work and for offshore work – form of “equity” raising as well – in return give up some interests in the tenement
 - Form of farmout will dictate what additional capital, if any, the Company will need for the drilling covered by those agreements
 - Single tenement presents challenges as well as benefits
 - August 2015 renewal will require relinquishing 50% of the area

Strategy going forward

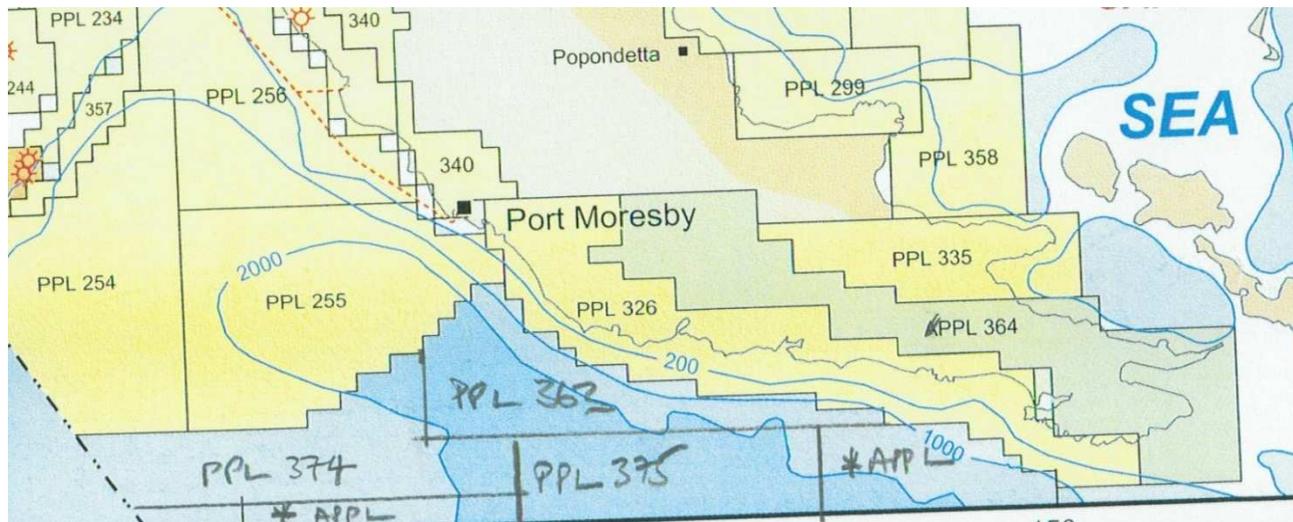


- Gippsland Development:
 - Now into Year 5 of each of the Permits
 - Year 6 starts in March 2013 and contains a requirement for a well in each Permit
 - Can avoid well commitment by not rolling into Year 6
 - This year is the “drill or drop” decision point
 - Pursuing oil plays in preference to gas
 - 2010 seismic data throwing up some differences to old thinking
 - Hydrocarbons have migrated through, need find traps
 - Prospects and leads by June
 - If there are commercial prospects, will need 3D seismic – Q4 2012
 - Then to farmout negotiations for drilling the prospects
 - Spend on Gippsland has been low (less than 5% total exploration spend)

PNG Industry Activity



- Shell alliance with Petromin and reopened Port Moresby office
- Mitsui farmed into Sasol's Awapa well
- Kina Petroleum IPO \$12.5M December 2011, share price moved from 20c to 36c
- Horizon farmed into Eaglewood Energy permits
- Mitsubishi acquisition of average 20% interests from Talisman – US\$280M
- Oil Search/Exxon acquire New Guinea Energy permit – US\$15M + US\$20M + royalty
- UMC Energy acquires PPLs 374 & 375 (south of PPL 326) and 378 for £13.4M then sold 70% to CNOOC (Chinese) for free carry on exploration work



Conclusion



- Company is in significantly better shape than it was at last AGM
- It has acquired new data which have a major bearing on the prospectivity of the Permits
- We are poised at a super critical time to take PPL 326 to the next exciting stage of value creation of PPL 326
- But we now need significant further capital to realise the best value for shareholders

Larus Energy – join the excitement



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